Crowe Horwath

GHP Horwath, P.C.
Member Crowe Horwath International

NURSE-FAMILY PARTNERSHIP

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

NURSE-FAMILY PARTNERSHIP

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

CONTENTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Nurse-Family Partnership
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Nurse-Family Partnership, which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nurse-Family Partnership as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

GHP Horwath, P.C.

January 29, 2014

NURSE-FAMILY PARTNERSHIP

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2013 AND 2012

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,420,774	$ 4,545,199
Cash - restricted	902,646	134,991
Accounts receivable, net	1,436,845	1,452,327
Contributions receivable	1,746,079	532,274
Short-term investments	3,289,391	6,864,231
Prepaid expenses	172,861	167,723
Total current assets	11,968,596	13,696,745
Cash - restricted	-	150,038
Contributions receivable, net	786,137	808,231
Investments	2,005,556	1,883,233
Property and equipment, net	1,357,998	1,258,503
	4,149,691	4,100,005
Total assets	$ 16,118,287	$ 17,796,750
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 836,113	$ 962,301
Accrued payroll	388,406	354,045
Deferred revenue	2,435,202	1,459,805
Total current liabilities	3,659,721	2,776,151
Deferred rent	103,475	142,389
Total liabilities	3,763,196	2,918,540
Net assets:		
Temporarily restricted	3,006,196	1,425,837
Unrestricted	9,348,895	13,452,373
Total net assets	12,355,091	14,878,210
Total liabilities and net assets	$ 16,118,287	$ 17,796,750

NURSE-FAMILY PARTNERSHIP

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2013

	Unrestricted	Temporarily Restricted	Totals
REVENUES AND OTHER SUPPORT			
Contributions:			
Foundations	$ 286,868	$ 2,271,606	$ 2,558,474
Federal and state	-	176,025	176,025
Individuals	282,312	35,775	318,087
In-kind	608,441	-	608,441
Site revenues	7,120,290	-	7,120,290
Investment income	35,746	3,642	39,388
Net assets released from restrictions	906,689	(906,689)	-
Total revenues and other support	9,240,346	1,580,359	10,820,705
EXPENSES			
Program services	11,036,624	-	11,036,624
Supporting services:			
Management, general and administrative	1,927,594	-	1,927,594
Fundraising	379,606	-	379,606
Total expenses	13,343,824	-	13,343,824
CHANGE IN NET ASSETS	(4,103,478)	1,580,359	(2,523,119)
NET ASSETS, beginning of year	13,452,373	1,425,837	14,878,210
NET ASSETS, end of year	$ 9,348,895	$ 3,006,196	$ 12,355,091

See notes to financial statements.

NURSE-FAMILY PARTNERSHIP

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2012

	Unrestricted	Temporarily Restricted	Totals
REVENUES AND OTHER SUPPORT			
Contributions:			
Foundations	$ 1,849,250	$ 1,272,469	$ 3,121,719
Federal and state	-	420,647	420,647
Individuals	358,809	27,188	385,997
In-kind	32,514	-	32,514
Site revenues	5,251,410	-	5,251,410
Investment income	90,739	131	90,870
Net assets released from restrictions	1,998,590	(1,998,590)	-
Total revenues and other support	9,581,312	(278,155)	9,303,157
EXPENSES			
Program services	9,421,111	-	9,421,111
Supporting services:			
Management, general and administrative	1,998,246	-	1,998,246
Fundraising	623,166	-	623,166
Total expenses	12,042,523	-	12,042,523
CHANGE IN NET ASSETS	(2,461,211)	(278,155)	(2,739,366)
NET ASSETS, beginning of year	15,913,584	1,703,992	17,617,576
NET ASSETS, end of year	$ 13,452,373	$ 1,425,837	$ 14,878,210

See notes to financial statements.

NURSE-FAMILY PARTNERSHIP

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
Cash flows from operating acitivities:		
Decrease in net assets	$ (2,523,119)	$ (2,739,366)
Adjustments to reconcile decrease in net assets		
to net cash used in operating activities:		
Depreciation and amortization	382,989	379,665
Change in provision for uncollectible accounts receivable	19,302	5,463
Loss on disposal of property and equipment	372	35,267
Donation of investments	10,108	400,054
Change in unamortized discount on contributions receivable	(6,906)	(115,264)
Net realized and unrealized losses on investments	200,430	165,477
Changes in assets and liabilities:		
Accounts receivable	(3,820)	(872,017)
Contributions receivable	(1,184,805)	277,936
Prepaid expenses	(5,138)	(24,350)
Cash - restricted	(617,617)	102,329
Accounts payable and accrued expenses	(130,741)	323,282
Deferred revenue	975,397	528,282
Total adjustments	(360,429)	1,206,124
Net cash used in operating activities	(2,883,548)	(1,533,242)
Cash flows from investing activities:		
Purchases of property and equipment	(482,856)	(286,957)
Purchases of investments	(3,519,638)	(6,632,992)
Proceeds from sales and maturities of investments	6,761,617	6,026,699
Net cash provided by (used in) investing activities	2,759,123	(893,250)
Net decrease in cash and cash equivalents	(124,425)	(2,426,492)
Cash and cash equivalents, beginning	4,545,199	6,971,691
Cash and cash equivalents, ending	$ 4,420,774	$ 4,545,199

See notes to financial statements.

NURSE-FAMILY PARTNERSHIP

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2013

		Supporting services		
	Program services	Management, general and administrative	Fundraising	Total
Payroll and benefits	$ 5,787,523	$ 1,281,560	$ 244,304	$ 7,313,387
Consultants	1,776,333	156,825	22,955	1,956,113
Travel	847,165	83,510	19,105	949,780
Telephone	351,364	78,560	16,221	446,145
Training and other events	393,712	48,212	365	442,289
Outsourced program support	383,826	-	-	383,826
Depreciation and amortization	294,287	72,070	16,632	382,989
Printing and copying	362,412	5,236	1,041	368,689
Rent and occupancy	217,403	51,577	11,877	280,857
Advertising and marketing	201,787	-	6,896	208,683
Professional services	124,038	52,640	3,770	180,448
Dues and subscriptions	65,532	9,891	10,793	86,216
Equipment and maintenance	54,795	12,323	2,846	69,964
Postage and shipping	43,718	2,798	2,022	48,538
Office supplies	36,966	8,738	1,227	46,931
Bad debts	19,302	-	-	19,302
Other	76,461	63,654	19,552	159,667
Total expenses	$ 11,036,624	$ 1,927,594	$ 379,606	$ 13,343,824

See notes to financial statements.

NURSE-FAMILY PARTNERSHIP

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2012

		Supporting services		
	Program services	Management, general and administrative	Fundraising	Total
Payroll and benefits	$ 5,633,882	$ 1,436,334	$ 396,563	$ 7,466,779
Travel	714,181	70,909	37,254	822,344
Consultants	607,397	100,069	37,920	745,386
Telephone	338,896	72,688	16,603	428,187
Depreciation and amortization	291,869	70,018	17,778	379,665
Printing and copying	369,103	4,451	5,878	379,432
Outsourced program support	357,687	-	-	357,687
Training and other events	263,805	33,114	8,700	305,619
Rent and occupancy	220,065	45,453	11,511	277,029
Advertising and marketing	185,288	1,600	37,192	224,080
Professional services	101,791	43,556	4,933	150,280
Equipment and maintenance	84,275	18,794	4,584	107,653
Dues and subscriptions	53,040	6,438	17,976	77,454
Office supplies	40,838	11,140	5,506	57,484
Postage and shipping	45,003	5,523	2,221	52,747
Bad debts	4,200	1,007	256	5,463
Other	109,791	77,152	18,291	205,234
Total expenses	$ 9,421,111	$ 1,998,246	$ 623,166	$ 12,042,523

Note 1: Description of Organization and summary of significant accounting policies

Description of Organization:

Nurse-Family Partnership (NFP) is a non-profit tax-exempt 501(c)(3) corporation, established in 2003. NFP's primary objective is to replicate and grow the Nurse-Family Partnership ® program (the Program) which is delivered through agencies (Implementing Agencies) throughout the United States. Implementing Agencies are independent from NFP and implement the Program by contract.

The Program is an evidence-based nurse home visitation program that serves low-income, first-time mothers and their children. These families face significant short-term and long-term risks to their health, personal development, and economic well-being. Through regular visits with specially trained registered nurses, the Program assists the mothers during their pregnancies and the first two years of their first child's life. The Program helps develop behaviors that yield better pregnancies and better parents, emotionally and physically healthier children, and greater economic self-sufficiency.

The Program is based upon intellectual property developed by Dr. David Olds, Director of the Prevention Research Center, University of Colorado. NFP has been granted the perpetual and royalty-free right to use the intellectual property by the University of Colorado exclusively within the United States, and exclusively for all international expansion subsequent to August 1, 2012. NFP also has the first right of refusal in the event the University opts to sell the intellectual property. NFP earns fees for educational, consulting and program support services provided to the Implementing Agencies and States, and receives funding from private foundations, federal and state grants and other public support. There are no fees charged at any time to the enrolled families.

The accompanying financial statements include the accounts of NFP, and do not include the financial position or results of operations from any Implementing Agency.

Cash and cash equivalents:

NFP considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include demand deposit accounts, money market funds, certificates of deposit, and treasury bills. Accounts, at times, may exceed federally insured limits; however, these accounts are held by major financial institutions. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. Cash and cash equivalents restricted by donors are not considered cash and cash equivalents for purposes of the statements of cash flows.

Note 1: Description of Organization and summary of significant accounting policies (continued)

Investments:

Investments are reported at fair value based upon quoted market prices. The investments classified as short-term are scheduled to mature within one year or it is the intent of management to sell such investments within one year. The investments classified as long-term are scheduled to mature in a period beyond one year or have no scheduled maturity dates. Investment income and gains and losses are reported in the statements of activities as increases or decreases in unrestricted, temporarily restricted, or permanently restricted net assets based on the existence of donor imposed restrictions. Realized and unrealized gains and losses and interest income are included in the change in net assets. Donated investments are recorded as contributions at their estimated fair values on the donation dates.

Investment expenses:

Expenses relating to investment income, including custodial fees and investment advisory fees of $43,128 and $47,877, respectively, for the years ended September 30, 2013 and 2012, are included in management, general and administrative expenses in the accompanying statements of activities.

Fair value measurements:

NFP measures its financial assets and liabilities under accounting guidance which establishes a three-tier fair value hierarchy and prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. In determining fair value, NFP utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement. There have been no changes in the methodologies used at September 30, 2013 and 2012.

Much of the information used to determine fair values is highly subjective and judgmental in nature; therefore the results may not be precise. In addition, estimates of cash flows, risk characteristics, credit quality, and interest rates are all subject to change. Since the fair values are estimated as of the statement of financial position dates, the amounts which will actually be realized upon settlement or maturity of the various instruments could be significantly different than the estimates.

Note 1: Description of Organization and summary of significant accounting policies (continued)

Property and equipment:

Property and equipment are stated at cost for purchased assets. Donations of property and equipment are recorded at estimated fair value at the donation date. Depreciation is computed over the estimated useful lives of the assets (4 - 7 years) using the straight-line method. All assets in excess of $2,000 and with a useful life greater than one year are capitalized. Leasehold improvements are depreciated over the shorter of the estimated useful life of the related asset or the lease term. NFP capitalizes qualifying software development costs including clinical information system improvements, website enhancements, Data Center infrastructure, and on-line Quality Tools. These costs are being depreciated over the estimated useful lives of the assets (5 years) using the straight-line method, beginning from the first of the month following the date when the software assets are ready for their intended use.

NFP's management assesses the carrying value of its long-lived assets for impairment when circumstances warrant such a review. If management determines that impairment has occurred, a loss is recognized based on the difference between the assets' carrying values over their estimated fair values. Based on its review, management does not believe that any impairment has occurred as of September 30, 2013 and 2012.

Revenue recognition:

Contributions:

Contributions of cash and other assets received without donor stipulations are recorded as unrestricted revenue that increases unrestricted net assets. NFP recognizes contributions of cash and other assets as restricted revenue if they are received with donor stipulated time or purpose restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or a 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. All temporarily restricted contributions containing restrictions that are met in the same year as receipt are classified first as restricted, and then as unrestricted as the conditions are met and the restrictions are released.

Conditional pledges to give cash or other assets are recognized as contribution revenues and receivables only when the conditions are substantially met. Once the conditional requirements have been met, the pledge is recognized as temporarily restricted until it is actually realized.

Note 1: Description of Organization and summary of significant accounting policies (continued)

Revenue recognition (continued):

Contributions (continued):

NFP reports contributions of services and goods as unrestricted revenue unless explicit donor stipulations specify how the donated assets must be used. Donated services are also concurrently recorded as expense. NFP received in-kind contributions of $608,441 and $32,514, respectively, for the years ended September 30, 2013, and 2012, which were comprised primarily of consulting services, software, legal services, and advertising services. The related expenses were recognized within the statements of functional expenses as follows: donated consulting services were included in program services, legal fees were included in management, general, and administrative services and advertising costs were included in fund-raising expenses. All donated software was capitalized.

When NFP receives contributions for the benefit of designated beneficiaries, and thus acts more as a conduit, the contribution is recognized as a liability as opposed to revenue. Assets held in custody for the benefit of others are recorded as cash - restricted and a liability. As of September 30, 2013 and 2012, NFP held assets in custody for the benefit of others of $164,685 and $15,372, respectively (Note 4).

NFP maintains a policy of selling all contributions received in the form of securities or other assets as quickly as administratively possible. As a result, such donated assets will normally be classified in the operating section of the statement of cash flows.

Fund-raising revenues are recognized either as received, or upon completion of the specified fund-raising event when the amount can be reasonably estimated, whichever is more appropriate. The net proceeds related to such events are recorded when the event is complete, and the net proceeds can be reasonably estimated.

Concentration:

NFP raised 76% of the 2013 contribution revenue and 85% of the 2012 contribution revenue from three donors. The top three donors had one common donor for both years.

Site revenues:

Site revenues primarily consist of revenue earned from Implementing Agencies and States for educational, consulting and program support services. These services are recognized as revenue when the services are provided, or are supported by a contract for which NFP recognizes revenue ratably over the contract period, generally one year.

Note 1: Description of Organization and summary of significant accounting policies (continued)

Revenue recognition (continued):

Site revenues (continued):

Management regularly reviews accounts receivable to evaluate collectability. Based upon the specific customer's history, the applicable contract and the outstanding balance, management records an allowance for doubtful accounts for those accounts specifically identified as potentially uncollectable. At September 30, 2013 and 2012, management has recorded an allowance for doubtful accounts of $28,340 and $9,038, respectively.

Accounts receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Accounts receivable are generally considered to be past due, with certain exceptions, when the balance is outstanding for more than 90 days.

Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Indirect expenses are allocated to program and supporting services on the basis of periodic time analyses, the area benefited, and usage of the assets. All other costs can be specifically identified with a particular function and are charged directly to that function.

Advertising costs:

Advertising costs are expensed as incurred. NFP uses advertising to promote its programs to Implementing Agencies, States, and individuals that it serves, as well as to provide awareness to the general public of its services. Advertising and marketing expense was $208,683 and $224,080 for the years ended September 30, 2013 and 2012, respectively.

Taxes:

NFP is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC); accordingly, no provision for income taxes is included in the accompanying financial statements. NFP received final determination as a public charity under Section 501(c)(3) of the IRC in December of 2007. NFP assesses the likelihood of the financial statement effect of a tax position that should be recognized when it is more likely than not that the position will be sustained upon examination by a taxing authority based on the technical merits of the tax position, circumstances, and information available as of the reporting date. Management does not believe that there are any tax positions that would result in an asset or liability for taxes being recognized in the financial statements.

Note 1: Description of Organization and summary of significant accounting policies (continued)

Taxes (continued):

NFP's policy is to recognize interest and penalties accrued on any unrecognized tax positions as a component of income tax expense. As of September 30, 2013 and 2012, NFP did not have any accrued interest or penalties associated with any unrecognized tax positions, nor were any interest expense or penalties recognized during the years ended September 30, 2013 and 2012. There are open statutes of limitations for taxing authorities to audit NFP's tax returns for 2010 through the current period.

Recent accounting pronouncements:

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRS*, which creates changes to disclosures regarding transfers between Level 1 and Level 2 and sensitivity of fair value measurements categorized within Level 3 of the fair value hierarchy. For NFP, this ASU was effective prospectively beginning October 1, 2012. The adoption of this standard did not have any impact on NFP's financial statements. In February 2013, the FASB issued ASU No. 2013-03, *Clarifying the Scope and Applicability of a Particular Disclosure to Nonpublic Entities* to provide clarification that the requirement to disclose the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2, or 3) does not apply to nonpublic entities for items that are not measured at fair value in the statement of financial position but for which fair value is disclosed. This ASU was effective upon issuance and did not have any impact on NFP's financial statements.

In April 2013, the FASB issued ASU No. 2013-06, *Not-for-Profit Entities: Services Received from Personnel of an Affiliate*. ASU 2013-06 addresses the recognition and measurement bases for services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity and for which the affiliate does not charge the recipient not-for-profit entity. The ASU is effective for NFP beginning October 1, 2014. Adoption is not expected to have a material impact on NFP's financial statements.

Management has evaluated other recently issued accounting pronouncements and does not believe that any of these pronouncements will have an impact on the NFP's financial statements.

Use of estimates:

The preparation of NFP's financial statements, in conformity with accounting principles generally accepted in the United States of America, requires NFP's management to make certain estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

Note 1: Description of Organization and summary of significant accounting policies (continued)

Reclassifications:

Certain reclassifications have been made to prior year information to conform with the current year presentation.

Note 2: Business plan

In 2007, NFP developed a long-term business plan (Plan) for the ten-year period of 2008 through 2017. The purpose of the Plan was to implement a successful $50 million dollar capital campaign, and to guide NFP through a period of anticipated and significant organizational growth. The Plan recognized that NFP would operate at a deficit for most of that ten-year period while growing the volume and revenue of its educational and consulting services to attain a point of economic self-sufficiency. The Plan is generally updated and extended every two years or as required by changing economic conditions. As of September 30, 2013, management believes that NFP has substantially met or exceeded all of the annual metrics outlined in the Plan (as amended).

The Plan contains and is dependent upon certain assumptions regarding the general economy, sustained public revenue and funding, growth of the Program and the related costs to provide the required services. In 2013, NFP recognized that public revenue and funding appeared to have reached a plateau. As a result, NFP is exploring new and alternative growth strategies in 2014 and beyond; some of which may be more viable since the implementation of the Affordable Care Act. While the success of these new strategies cannot be assured, NFP believes that they represent significantly expanded long-term growth potential. However, successful attainment of the objectives cannot be assured for any given year or cumulatively over the entire planning period.

Note 3: Contributions receivable

Contributions receivable consists of the following at September 30, 2013 and 2012:

Donor	2013	2012
JPB Foundation	$ 1,226,000	$ -
Board member and family	400,000	400,000
California Wellness Foundation	52,000	-
Aetna Foundation	25,850	22,700
Hearst Foundation	-	100,000
Other	42,229	9,574
Current contributions receivable	1,746,079	532,274
Board member and family	800,000	800,000
Aetna Foundation	-	29,000
Unamortized discount	(13,863)	(20,769)
Long-term contributions receivable	786,137	808,231
Total contributions receivable, net	$ 2,532,216	$ 1,340,505

Amounts scheduled to be received within the next twelve months are recorded at their net realizable value, while amounts to be received after the next twelve months are shown as long-term and are recorded at the present value of their estimated cash flows using a discount rate of 1%. The discount is amortized and accreted to contribution revenue. The long-term contribution receivable at September 30, 2013 is expected to be collected within one to three years. During 2013, the related party pledge was revised to extend the payment dates. The pledge and related discount were revised accordingly.

Note 4: Cash - restricted

Restricted cash consists of contributions that place temporary restrictions on the use of the cash. In addition, restricted cash includes assets for which NFP is acting as an agent or intermediary. Restricted cash at September 30, 2013 and 2012 was received from and was restricted to the following:

Donor	2013	2012
JPB Foundation	$ 545,921	$ -
Purchasing card collateral (Note 11)	150,151	-
The California Wellness Foundation	58,476	-
Tipping Point Community	47,005	-
Aetna Foundation	40,347	65,714
Heising-Simons Foundation	34,891	34,891
The Hearst Foundation	21,672	-
Virginia Hill Charitable Foundation	1,936	3,322
Pennsylvania Dept. of Public Warfare	-	16,780
William T. Grant Foundation	-	7,890
Fox Family Foundation	-	6,244
Other	2,247	150
Total cash – short-term restricted	902,646	134,991
Purchasing card collateral (Note 11)	-	150,038
Total cash – restricted	$ 902,646	$ 285,029

Direct-Use Categories	2013	2012
Program implementation	$ 583,627	$ 109,903
Deposits held in custody for others	164,685	15,372
Purchasing card collateral (Note 11)	150,151	150,038
Program recipient assistance	1,936	3,322
Technology infrastructure	-	6,244
Other	2,247	150
Total cash – restricted	$ 902,646	$ 285,029

Note 5: Investments

NFP's investments consist of the following at September 30, 2013 and 2012:

Investments	2013	2012
Certificates of deposit	$ 2,005,556	$ 2,320,168
Corporate debt securities:		
Consumer	1,743,568	252,210
Manufacturing	1,034,507	1,098,502
Energy	511,316	532,522
Financial	-	3,122,671
Technology	-	1,026,257
Corporate equities:		
International equities	-	242,878
Financial	-	86,013
Consumer	-	28,085
Utilities	-	19,899
Manufacturing	-	8,860
Technology	-	7,886
Energy	-	1,513
Total investments	$ 5,294,947	$ 8,747,464

Corporate Debt Securities	2013	2012
AAA rating	$ 707,057	$ -
AA rating	785,460	784,146
A rating	1,796,874	5,248,016
Total corporate debt securities	$ 3,289,391	$ 6,032,162

The following schedule summarizes the investment income in the statements of activities for the years ended September 30, 2013 and 2012:

	2013	2012
Interest income	$ 239,818	$ 256,347
Net realized and unrealized losses	(200,430)	(165,477)
Total investment income	$ 39,388	$ 90,870

The majority of unrealized losses are current market adjustments and the amortization of premium on debt securities intended to be held to maturity which is inherent in the current low interest rate investment environment.

Note 6: Fair value measurements

The following details the related fair value measurement as of September 30, 2013 and 2012:

	Level	2013	2012
Cash and cash equivalents, including cash – restricted:			
Cash	1	$ 745,710	$ 1,865,870
Money market funds	1	$ 77,706	$ 2,814,320
Certificate of deposit	1	$ 150,151	$ 150,038
Treasury bills	2	$ 4,349,853	$ -
Investment securities:			
Corporate equities	1	$ -	$ 395,134
Certificate of deposit	1	$ 2,005,556	$ 2,320,168
Corporate debt securities	1	$ 3,289,391	$ 6,032,162

Note 7: Property and equipment

Property and equipment consists of the following at September 30, 2013 and 2012:

Fixed-Asset Classification	2013	2012
Software in use	$ 1,326,678	$ 1,235,910
Software in development	328,480	74,289
Computers – servers	622,989	523,630
Computers – PC	149,846	169,273
Leasehold improvements	294,126	291,355
Furniture and fixtures	143,253	138,802
	2,865,372	2,433,259
Accumulated depreciation	(1,507,374)	(1,174,756)
Property and equipment, net	$ 1,357,998	$ 1,258,503

Note 8: Net assets – temporarily restricted

Temporarily restricted net assets are the total restricted assets offset by related payables and commitments. Temporarily restricted net assets at September 30, 2013 and 2012 are available for the following purposes or periods:

	2013	2012
For receipt in subsequent periods	$ 2,532,216	$ 1,340,505
Program implementation	472,786	56,139
Program recipient assistance	1,194	3,430
Technology infrastructure	-	25,763
Total temporarily restricted net assets	$ 3,006,196	$ 1,425,837

Note 9: Related party transactions

Invest in Kids (IIK) assists in the implementation of the Program by performing certain consulting and technical assistance functions on behalf of NFP to Implementing Agencies in Colorado. For the years ended September 30, 2013 and 2012, payments to IIK were $74,790 and $40,761, respectively. The NFP Board Chair is related to the IIK Executive Director. Also, the NFP Board Chair served as a IIK Board member for a portion of 2012. The NFP Board Chair resigned from the IIK Board effective December 31, 2011.

NFP has attended and participated in certain conference events sponsored by the National League of Nursing (NLN) for a fee. For each of the years ended September 30, 2013 and 2012, NFP incurred expense of $30,000. As of September 30, 2013 $30,000 is accrued for in accounts payable and accrued expenses. The NFP Board Vice-Chair also served as the NLN CEO for 2013 and 2012.

NFP paid Seedworks Films $60,000 in 2013 to develop video clips and discussion guides that will be used for NFP education. A NFP Board member also served as the owner of Seedworks Films during 2013 and 2012.

NFP recorded site revenues of $29,505 and $21,346 from Guilford Child Development, an implementing agency in North Carolina, for program services provided in 2013 and 2012, respectively. Additionally, NFP paid $133,333 to Guilford in 2013 as part of a pass-through grant, no similar payments were made during 2012. A NFP Board member also served as the Executive Director of Guilford Child Development during 2013 and 2012.

Note 10: Retirement plan

NFP sponsors a 401(k) plan through its Professional Employer Organization relationship with Automatic Data Processing, Inc., covering all employees who have completed three months of service and have attained age 21. NFP contributes 10% of the employees' compensation which vests immediately. For the years ended September 30, 2013 and 2012, total 401(k) contributions were $562,886 and $580,172, respectively.

Note 11: Commitments

Leases:

NFP leases office space in Denver, Colorado that expires on November 30, 2016 and contains two, two-year renewal options. The agreement contains certain inducements and allowances that are recognized over the term of the lease, as well as cost escalation clauses. NFP recognizes rental expense on a straight-line basis over the term of the lease.

NFP is responsible for a proportionate share of the building common area maintenance and other operating costs.

Lease expense for the years ended September 30, 2013 and 2012 was $280,857 and $277,029, respectively. Following are the minimum future operating lease payments:

Year Ending September 30		
2014	$	304,064
2015		309,765
2016		315,466
2017		52,736
Total lease commitment	$	982,031

Commercial credit card program:

NFP has a commercial credit card program (Purchasing Card) with a bank with a maximum credit line of up to $150,000 and outstanding credit of $110,823 and $82,593, respectively, as of September 30, 2013 and 2012. The outstanding balance is included in accounts payable and accrued expenses. The purpose of the program is to allow NFP to utilize credit cards to pay for certain recurring expenses such as travel and office supplies. NFP pays all Purchasing Card charges on a monthly basis in arrears. A certificate of deposit (Note 4) serves to collateralize the Purchasing Card activity.

Note 12: Subsequent events

Management evaluated events through January 29, 2014, the date that NFP's financial statements were available to be issued, for consideration of subsequent events to be included in its September 30, 2013 financial statements.