NURSE-FAMILY PARTNERSHIP

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NURSE-FAMILY PARTNERSHIP

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Nurse-Family Partnership
Denver, Colorado

We have audited the accompanying financial statements of Nurse-Family Partnership (a nonprofit organization), which comprise the statements of financial position as of September 30, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, management adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, the change has been retrospectively applied to prior periods presented as if the policy had always been used with the exception of the liquidity footnote, which has only been presented for 2019. Our opinion is not modified with respect to that matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
January 22, 2020

NURSE-FAMILY PARTNERSHIP

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2019 AND 2018
(IN THOUSANDS)

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalent investments	$ 14,746	$ 23,916
Accounts receivable, net	2,211	1,715
Contributions receivable	176	900
Short-term investments	6,826	3,268
Prepaid expenses	236	229
Other assets	47	47
Total current assets	24,242	30,075
Investments	14,429	15,491
Property and equipment, net	3,046	2,252
	17,475	17,743
Total assets	$ 41,717	$ 47,818
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 3,078	$ 2,660
Distributions and grants payable	1,947	1,160
Pass-through grants	1,483	1,186
Deferred revenue	3,315	2,587
Total current liabilities	9,823	7,593
Long-term liabilities:		
Distributions and grants payable	-	73
Pass-through grants	-	2,508
Deferred revenue	367	-
Deferred rent	219	251
Total long-term liabilities	586	2,832
Total liabilities	10,409	10,425
Net assets:		
With donor restrictions	1,691	1,939
Without donor restrictions	29,617	35,454
Total net assets	31,308	37,393
Total liabilities and net assets	$ 41,717	$ 47,818

See notes to financial statements.

NURSE-FAMILY PARTNERSHIP

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2019

(IN THOUSANDS)

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES AND OTHER SUPPORT			
Contributions	$ 12,937	$ 2,261	$ 15,198
Site revenues	9,249	-	9,249
Investment income	1,075	-	1,075
Net assets released from restrictions	2,509	(2,509)	-
Total revenues and other support	25,770	(248)	25,522
EXPENSES			
Program services	26,170	-	26,170
Supporting services:			
Management, general and administrative	3,077	-	3,077
Fundraising	2,360	-	2,360
Total expenses	31,607	-	31,607
CHANGE IN NET ASSETS	(5,837)	(248)	(6,085)
NET ASSETS, beginning of year	35,454	1,939	37,393
NET ASSETS, end of year	$ 29,617	$ 1,691	$ 31,308

See notes to financial statements.

NURSE-FAMILY PARTNERSHIP

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2018
(IN THOUSANDS)

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES AND OTHER SUPPORT			
Contributions	$ 26,614	$ 2,703	$ 29,317
Site revenues	8,884	-	8,884
Investment income	43	-	43
Net assets released from restrictions	1,600	(1,600)	-
Total revenues and other support	37,141	1,103	38,244
EXPENSES			
Program services	21,356	-	21,356
Supporting services:			
Management, general and administrative	2,552	-	2,552
Fundraising	1,574	-	1,574
Total expenses	25,482	-	25,482
CHANGE IN NET ASSETS	11,659	1,103	12,762
NET ASSETS, beginning of year	23,795	836	24,631
NET ASSETS, end of year	$ 35,454	$ 1,939	$ 37,393

NURSE-FAMILY PARTNERSHIP

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(IN THOUSANDS)

	2019	2018
Cash flows from operating activities:		
(Decrease) Increase in net assets	$ (6,085)	$ 12,762
Adjustments to reconcile (decrease) increase in net assets to net cash (used by) provided by operating activities:		
Depreciation and amortization	463	228
Change in provision for uncollectible accounts receivable	1	-
Loss on disposal of property, plant and equipment	1	-
Donation of property, plant and equipment	(19)	(130)
Net unrealized and realized change in investments	(465)	403
Change in accrued interest	(2)	3
Changes in assets and liabilities:		
Accounts receivable	(497)	36
Contributions receivable	724	(430)
Prepaid expenses	(7)	151
Accounts payable and accrued expenses	418	238
Distributions and grants payable	714	1,233
Pass-through grants	(2,211)	(159)
Deferred revenue	1,063	50
Total adjustments	183	1,623
Net cash (used by) provided by operating activities	(5,902)	14,385
Cash flows from investing activities:		
Purchases of property and equipment	(1,239)	(1,511)
Purchases of investments	(7,270)	(1,097)
Proceeds from sales and maturities of investments	5,241	5,584
Net cash (used in) provided by investing activities	(3,268)	2,976
Net (decrease) increase in cash and cash equivalents	(9,170)	17,361
Cash and cash equivalents, beginning	23,916	6,555
Cash and cash equivalent investments, ending	$ 14,746	$ 23,916

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2019	2018
Donation of property, plant and equipment	$ 19	$ 130

NURSE-FAMILY PARTNERSHIP

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2019
(IN THOUSANDS)

	Program services	Supporting services: Management, general and administrative	Supporting services: Fundraising	Total
Payroll and benefits	$ 10,656	$ 2,112	$ 1,474	$ 14,242
Grants and program distributions	4,933	-	-	4,933
Consultants	3,732	358	286	4,376
Travel	1,417	74	79	1,570
Technology	1,090	207	192	1,489
Outsourced program support	1,231	-	-	1,231
Advertising, enrollment promotion	1,104	16	58	1,178
Training and other events	606	-	8	614
Rent and occupancy	396	72	68	536
Depreciation and amortization	342	64	57	463
Equipment and maintenance	185	31	29	245
Professional services	88	47	14	149
Staff development	111	22	7	140
Dues and subscriptions	85	10	24	119
Postage and shipping	61	5	19	85
Printing and copying	29	7	26	62
Office supplies and expenses	35	8	4	47
Insurance	20	4	3	27
Bad debts	10	-	-	10
Other	39	40	12	91
Total expenses	$ 26,170	$ 3,077	$ 2,360	$ 31,607

NURSE-FAMILY PARTNERSHIP

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2018
(IN THOUSANDS)

	Program services	Supporting services: Management, general and administrative	Supporting services: Fundraising	Total
Payroll and benefits	$ 9,990	$ 1,689	$ 1,061	$ 12,740
Grants and program distributions	3,088	-	-	3,088
Consultants	1,949	332	127	2,408
Outsourced program support	1,199	-	-	1,199
Travel	1,092	63	59	1,214
Advertising, enrollment promotion	1,085	12	24	1,121
Telephone	932	112	85	1,129
Training and other events	671	4	19	694
Rent and occupancy	372	68	38	478
Printing and copying	228	6	72	306
Equipment and maintenance	189	39	19	247
Depreciation and amortization	176	34	18	228
Professional services	88	52	8	148
Dues and subscriptions	70	9	16	95
Postage and shipping	47	4	9	60
Office supplies and expenses	31	4	2	37
Legal	3	35	-	38
Other	146	20	17	183
Total expenses	$ 21,356	$ 2,483	$ 1,574	$ 25,413

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

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

The Program is an evidence-based, nurse-home-visitation program that serves low-income 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 NFP- trained, registered nurses, the Program is designed to assist mothers during their pregnancies and up to the first two years of their child's life. The Program is designed to 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, exclusive and royalty-free right to use the intellectual property by the University of Colorado within the United States. NFP also has the first right of refusal in the event the University of Colorado opts to sell the intellectual property. NFP earns fees for educational, consulting and program support services provided to the network partners and certain states, and receives funding from private foundations, and governmental 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 network partner or state.

Cash and cash equivalent investments:

NFP considers all 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 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.

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 for which 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, gains, and losses are reported in the statements of activities as increases or decreases in net assets with or without donor restrictions based on the existence of donor imposed restrictions. Realized and unrealized gains, 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 and are sold upon receipt.

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

Fair value measurements:

NFP measures its financial assets and liabilities under accounting guidance that 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, 2019 and 2018.

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.

Property and equipment:

Property and equipment having a unit cost greater than $5,000 and a useful life of more than one year are capitalized at cost when purchased. 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, beginning the first month after the asset is placed in service. Leasehold improvements are depreciated over the shorter of the estimated useful life or the related asset or the lease term, without any consideration of any lease renewal option.

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, and the carrying values are reduced to their estimated fair values. Based on its review, management does not believe that any impairment has occurred as of September 30, 2019 and 2018.

Revenue recognition:

Contributions:

All contributions are considered available for general use unless specifically restricted by the donor. Contributions that are restricted by the donor are recorded as an increase in net assets with donor restrictions depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. All contributions with donor restrictions that are met in the same year as receipt are classified first as restricted, and then as without donor restrictions as the conditions are met and the restrictions are released.

The organization may, for various reasons, occasionally decide to return a contribution or portion thereof to a donor. When this occurs the organization reports contribution revenue net of any returned contributions. No contributions were returned during 2019 or 2018.

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

Revenue recognition (continued):

Contributions (continued):

NFP reports contributions of services and goods as revenue without donor restrictions 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 $371 and $422 for the years ended September 30, 2019 and 2018, respectively, which were comprised primarily of consulting services, legal services, travel expenses, 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, travel expenses were included in management, general and administrative, and advertising costs were included in program services or fundraising based on the nature of the donation.

When NFP receives contributions for the benefit of designated beneficiaries, and thus acts more as a conduit, the pass-through contribution is recognized as a liability as opposed to revenue. Assets held for the benefit of others are recorded as a liability. As of September 30, 2019 and 2018, NFP held assets in custody for the benefit of others totaling $1,483 and $3,694, respectively (Note 7).

Fundraising revenues are recognized either as received, or upon completion of the specified fundraising 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.

During the year ended September 30, 2016, NFP began an initiative to provide services in South Carolina under an agreement that contains a Pay for Success (PFS) element. In accordance with the agreement, a study is being conducted based on a group of participants who receive NFP program services (Intervention Group) as well as a group who do not receive NFP services (Control Group). Should the Intervention Group achieve certain specified outcomes in contrast to the Control Group, NFP will be entitled to an additional payment from the State of South Carolina over and above the monies it receives for the initiative under agreements from various philanthropic organizations. The initiative includes three payment streams to NFP: 1) Monies provided to NFP for its performance of general management and marketing services, 2) Amounts that are specified to be paid to the network partner implementing the Program (Note 7), 3) Conditional payments to NFP from the state of South Carolina for the achievement of the aforementioned specified outcomes, to a maximum amount of $7,500. Any conditional payments under the agreement will be recorded upon substantial achievement of the contingent specified outcomes as noted above.

During the year ended September 30, 2017, NFP received conditional commitments without donor restrictions totaling $51.5 million in support of an organizational growth plan (the plan). As these commitments are contingent upon the organization's achievement of certain future milestones, no corresponding pledges receivable have been recorded and the organization will recognize revenue to support the plan upon achievement of certain milestones. During the year ended September 30, 2019 and 2018 the organization recognized as revenue and received payments totaling $7,500 and $21,000, respectively, which it considers as support without donor restrictions for the plan and has included in contributions without donor restrictions for the year.

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

Concentration:

NFP received 49% of 2019 contribution revenue effectively from or directed by a single source and 72% of 2018 contribution revenue from or directed by the same donor.

Site revenues:

Site revenues primarily consist of revenue earned from network partners 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. Accordingly, site revenues received prior to the end of the fiscal year for services performed in a subsequent fiscal year are deferred. None of the network partners represents greater than 10% of total site revenues for the years ended September 30, 2019 or 2018.

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, 2019 and 2018, management has recorded an allowance for doubtful accounts of $8 and $9, respectively.

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

Expenses:

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated benefit each area of NFP operations and include facilities costs, including depreciation and insurance, project management and information technology services. Expenses are allocated based on full-time equivalent staff positions.

Advertising, enrollment promotion:

Advertising costs are expensed as incurred. NFP uses advertising primarily to promote its programs to the individuals that it serves, as well as to provide awareness to the public of its services. Advertising and marketing expense was $1,178 and $1,121 for the years ended September 30, 2019 and 2018, respectively.

Distributions and grants payable:

During the year ended September 30, 2018, NFP entered into grant agreements with network partners to expand the NFP program. The payments under the agreement are contingent on the achievement of certain milestones. Any payments authorized but not yet paid at year-end are reported as liabilities. Grants scheduled for payment more than one year in the future have not been discounted to net present value because the discount is not significant.

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

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 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.

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, 2019 and 2018, NFP did not have any accrued interest or penalties associated with any unrecognized tax positions, nor was any interest expense or penalties recognized during the years ended September 30, 2019 and 2018.

Change in accounting principle:

On August 18, 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-For-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Management has implemented ASU 2016-14 and adjusted the presentation in these financial statements accordingly. These changes were applied retrospectively, with the exception of the liquidity footnote which has only been presented for 2019, to ensure comparability with the prior year presented herein.

Recent accounting pronouncements:

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 will eliminate the transaction-and industry-specific revenue recognition guidance under current U.S. GAAP and replace it with a principle-based approach for determining revenue recognition. The ASU is required to be adopted for annual periods beginning after December 15, 2018 and must be applied retrospectively. Management is currently evaluating the potential impact of this ASU 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 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.

(IN THOUSANDS)

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

Reclassifications:

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent events:

Management evaluated subsequent events through January 22, 2020 the date that NFP's financial statements were available to be issued.

2. Liquidity and availability:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are included below. None of the financial assets that are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the balance sheet date.

	2019
Cash and cash equivalent investments	$ 14,746
Accounts receivable, net	2,211
Contributions receivable	118
Investments	21,255
Total	$ 38,330

As part of the liquidity management plan, cash in excess of daily requirements is put into an overnight sweep account or other short-term investments.

3. Contributions receivable:

Contributions receivable consists of the following at September 30, 2019 and 2018:

Type of Donor	2019	2018
Individuals	$ 7	$ -
Public support	29	-
Foundations and organizations	140	900
Total	$ 176	$ 900

Amounts scheduled to be received within the next twelve months were recorded at their net realizable value. At September 30, 2019 all amounts are expected to be collected in the year ended September 30, 2020 except for $58, which is expected to be collected in the year ending September 30, 2021.

(IN THOUSANDS)

4. Investments:

Investments are classified as short-term or long-term based on maturity date although all securities are marketable. Securities held at September 30, 2019 and 2018 consist of publically traded government and corporate debt instruments ranging in credit quality from A3 to Aaa with an average credit rating of Aa3 and Aa2 as of September 30, 2019 and 2018, respectively, with total value by instrument type indicated as follows:

	2019	2018
Government obligations	$ 11,748	$ 9,418
Corporate obligations	9,193	8,225
Mortgage backed securities	200	988
Interest receivable	114	128
Total investments	$ 21,255	$ 18,759

The following schedule summarizes the investment income in the statements of activities for the years ended September 30, 2019 and 2018:

	2019	2018
Interest income	$ 610	$ 446
Net realized and unrealized gains (losses)	465	(403)
Total investment income	$ 1,075	$ 43

Unrealized losses are primarily due to fluctuations in market interest rates.

5. Fair value measurements:

The following details the related fair value measurement as of September 30, 2019 and 2018:

	Level	2019	2018
Government obligations	1	$ 11,748	$ 9,418
Mortgage backed securities	1	200	988
Corporate debt securities	1	9,193	8,225
Total		$ 21,141	$ 18,631

(IN THOUSANDS)

6. Property and equipment:

Property and equipment consists of the following at September 30, 2019 and 2018:

	2019	2018
Software and computers	$ 4,265	$ 2,813
Leasehold improvements	85	94
Furniture and fixtures	293	315
Software in progress	951	1,743
	5,594	4,965
Accumulated depreciation	(2,548)	(2,713)
Property and equipment, net	$ 3,046	$ 2,252

7. Pass-through grants:

During the year ended September 30, 2016, NFP began an initiative in South Carolina, which contains a Pay for Success (PFS) element. Under agreements for this initiative NFP receives monies from philanthropic funders, some of which it is required to distribute to network partners which are part of the initiative. Due to the timing specified by the related funding and distribution schedules NFP holds some of these funds for a period of time. Accordingly, the amount of these funds it held at September 30, 2019 and 2018 of $1,483 and $3,694, respectively, is reflected as pass through grants on the statements of financial position.

8. Distributions and grants payable:

Grants which have been approved and payable were $1,947 and $1,233 at September 30, 2019 and 2018 respectively. At September 30, 2019 these approved and payable grants are due during the year September 30, 2020.

The organization also has contingent grants which are not to be paid unless and until certain milestones at future dates, are met. These contingent grants, which are to be paid from both net assets with donor restrictions and net assets without donor restrictions, are therefore not recorded as liabilities. Contingent grants to be paid from net assets with donor restrictions were $660 and $1,118, respectively, as of September 30, 2019 and 2018. Contingent grants to be paid from net assets without donor restrictions were $5,735 and $6,288, respectively, as of September 30, 2019 and 2018.

9. Net assets – With donor restrictions:

Net assets with donor restrictions are the total restricted assets offset by related payables and commitments. Net assets with donor restrictions at September 30, 2019 and 2018 are available for the following purposes or periods:

	2019	2018
For receipt in subsequent periods	$ 19	$ 37
Program implementation	1,672	1,902
Total net assets with donor restrictions	$ 1,691	$ 1,939

11. 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 network partners in Colorado. For the year ended September 30, 2018, payments to IIK were $115. An NFP Board member is related to the IIK Executive Director. In 2019, this Board member no longer served on the NFP Board.

NFP recorded site revenues of $20 in 2018 from a network partner whose Executive Director served on the NFP Board. In 2019, the Executive Director no longer served on the Board.

NFP recorded site revenues of $27 and $23 from Parkland Health and Hospital System, a network partner in Texas for program services provided in 2019 and 2018, respectively. The President and Chief Executive Officer of Parkland Health and Hospital System is a NFP Board member.

In 2019 and 2018, NFP incurred expenses totaling $1,231 and $1,248, respectively from the University of Colorado, Prevention Research Center (PRC), for research, program innovations, and Dyadic Assessment of Naturalistic Caregiver-Child Experiences (DANCE) education and licenses. As of September 30, 2019 and 2018, NFP owed $47 and $110, respectively, to PRC, which is included in accounts payable and accrued expenses on the accompanying statements of financial position. Dr. David Olds is the Program founder and the Director of the PRC.

12. 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, 2019 and 2018, total 401(k) contributions were $1,111 and $1,014 respectively.

13. Commitments:

NFP leased office space in Denver, Colorado during fiscal year ending September 30, 2019 under a lease with a term from December 1, 2016 through October 2024. 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.

(IN THOUSANDS)

13. Commitments (continued):

Lease expense for the years ended September 30, 2019 and 2018 was $276 and $277, respectively. Following are the minimum future operating lease payments:

Year ending September 30,		
2020	$	308
2021		317
2022		326
2023		335
2024		344
Total lease commitment	$	1,630