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NURSE-FAMILY PARTNERSHIP

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NURSE-FAMILY PARTNERSHIP

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Nurse-Family Partnership
Denver, Colorado

We have audited the accompanying statements of financial position of Nurse-Family Partnership ("NFP") as of September 30, 2012 and 2011, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of NFP's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NFP as of September 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

GHP Horwath, P.C.

January 11, 2013

NURSE-FAMILY PARTNERSHIP

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2012 AND 2011

	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,545,199	$ 6,971,691
Cash - restricted	134,991	289,655
Accounts receivable, net	1,452,327	585,773
Contributions receivable	532,274	439,210
Short-term investments	6,864,231	5,630,366
Prepaid expenses	167,723	143,373
Total current assets	13,696,745	14,060,068
Cash - restricted	150,038	97,703
Contributions receivable, net	808,231	1,063,967
Investments	1,883,233	3,076,336
Property and equipment, net	1,258,503	1,386,478
	4,100,005	5,624,484
Total assets	$ 17,796,750	$ 19,684,552
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 962,301	$ 461,248
Accrued payroll	354,045	498,604
Deferred revenue	1,459,805	931,523
Total current liabilities	2,776,151	1,891,375
Deferred rent	142,389	175,601
Total liabilities	2,918,540	2,066,976
Net assets:		
Temporarily restricted	1,425,837	1,703,992
Unrestricted	13,452,373	15,913,584
Total net assets	14,878,210	17,617,576
Total liabilities and net assets	$ 17,796,750	$ 19,684,552

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

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2011

	Unrestricted	Temporarily Restricted	Totals
REVENUES AND OTHER SUPPORT			
Contributions:			
Foundations	$ -	$ 223,802	$ 223,802
Federal and state	-	600,778	600,778
Individuals	421,857	17,500	439,357
In-kind	2,670	-	2,670
Site revenues	2,948,921	-	2,948,921
Investment income	65,027	247	65,274
Net assets released from restrictions	6,670,632	(6,670,632)	-
Total revenues and other support	10,109,107	(5,828,305)	4,280,802
EXPENSES			
Program services	9,188,200	-	9,188,200
Supporting services:			
Management, general and administrative	1,794,620	-	1,794,620
Fundraising	612,275	-	612,275
Total expenses	11,595,095	-	11,595,095
CHANGE IN NET ASSETS	(1,485,988)	(5,828,305)	(7,314,293)
NET ASSETS, beginning of year	17,399,572	7,532,297	24,931,869
NET ASSETS, end of year	$ 15,913,584	$ 1,703,992	$ 17,617,576

See notes to financial statements.

NURSE-FAMILY PARTNERSHIP

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
Cash flows from operating acitivities:		
Decrease in net assets	$ (2,739,366)	$ (7,314,293)
Adjustments to reconcile decrease in net assets		
to net cash used in operating activities:		
Depreciation	379,665	352,059
Change in provision for uncollectible accounts receivable	5,463	3,575
Loss on disposal of property and equipment	35,267	99,775
Change in unamortized discount on contributions receivable	(115,264)	(57,310)
Net realized and unrealized (gains) losses on investments	(22,593)	2,614
Changes in assets and liabilities:		
Accounts receivable	(872,017)	(97,641)
Contributions receivable	277,936	5,854,525
Prepaid expenses	(24,350)	18,188
Cash - restricted	102,329	12,545
Accounts payable and accrued expenses	323,282	(794,323)
Deferred revenue	528,282	151,131
Total adjustments	618,000	5,545,138
Net cash used in operating activities	(2,121,366)	(1,769,155)
Cash flows from investing activities:		
Purchases of property and equipment	(286,957)	(308,520)
Purchases of investments	(6,632,992)	(8,281,238)
Proceeds from maturities of investments	6,614,823	5,115,705
Net cash used in investing activities	(305,126)	(3,474,053)
Net decrease in cash and cash equivalents	(2,426,492)	(5,243,208)
Cash and cash equivalents, beginning	6,971,691	12,214,899
Cash and cash equivalents, ending	$ 4,545,199	$ 6,971,691

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	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

See notes to financial statements.

NURSE-FAMILY PARTNERSHIP

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2011

		Supporting services		
	Program services	Management, general and administrative	Fundraising	Total
Payroll and benefits	$ 5,257,537	$ 1,239,163	$ 404,176	$ 6,900,876
Consultants	1,110,027	97,819	84,975	1,292,821
Travel	706,626	71,006	14,330	791,962
Outsourced program support	390,009	-	-	390,009
Depreciation	268,947	65,369	17,743	352,059
Telephone	231,314	57,410	14,473	303,197
Rent and occupancy	214,997	44,790	12,134	271,921
Training and other events	198,819	51,042	803	250,664
Advertising and marketing	198,636	-	19,077	217,713
Printing and copying	202,867	3,450	3,901	210,218
Professional services	94,275	43,600	6,012	143,887
Dues and subscriptions	43,061	9,185	10,667	62,913
Postage and shipping	42,669	6,188	2,063	50,920
Equipment and maintenance	31,048	8,154	2,026	41,228
Office supplies	26,942	7,575	4,762	39,279
Bad debts	3,575	-	-	3,575
Other	166,851	89,869	15,133	271,853
Total expenses	$ 9,188,200	$ 1,794,620	$ 612,275	$ 11,595,095

See notes to financial statements.

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 technical assistance 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 $57,569 and $68,603, respectively, for the years ended September 30, 2012 and 2011, 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.

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 or paid upon settlement or maturity of the various instruments could be significantly different than the estimates.

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 stated at cost and are depreciated over the shorter of the estimated useful life of the related asset or the lease term. Also, NFP capitalizes software development costs including a new clinical information system, website enhancements, and server infrastructure at an off-site Data Center. These costs are being depreciated over the estimated useful lives of the assets (5 years) using the straight-line method.

NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (continued):

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, 2012 and 2011.

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.

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 $32,514 and $2,670, respectively, for the years ended September 30, 2012, and 2011, which were comprised primarily of legal fees incurred for general matters, event venues for operations and fund-raising and advertising costs incurred for fundraising purposes. Donated legal fees are included in management, general, and administrative services, events are included in both management, general, and administrative, and fund-raising, and advertising costs are included in fund-raising within the statements of functional expenses.

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, 2012 and 2011, NFP held assets in custody for the benefit of others of $15,372 and $34,481, 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.

NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued):

Contributions (continued):

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 85% of the approximate $4.0 million of 2012 contribution revenue from three donors. The 2011 contribution revenue of approximately $1.3 million resulted from a more varied donor base, and thus did not have a corresponding concentration.

Site revenues:

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

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 uncollectable. At September 30, 2012 and 2011, management has recorded an allowance for doubtful accounts of $9,038 and $3,575, respectively.

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 $224,080 and $217,713 for the years ended September 30, 2012 and 2011, respectively.

NOTE 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 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.

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, 2012 and 2011, 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, 2012 and 2011. There are open statutes of limitations for taxing authorities to audit NFP's tax returns for 2009 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. The ASU also requires that both equity and debt investments be grouped and presented by industry. This ASU is effective for NFP on October 1, 2012. Since this ASU impacts disclosure requirements only, its adoption is not expected to have a material impact on NFP's financial statements.

In October 2012, the FASB issued ASU No. 2012-05, *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows.* ASU 2012-05 addresses the diversity in practice about how to classify cash receipts arising from the sale of certain donated financial assets, such as securities, in the statement of cash flows. The management of NFP has elected to early adopt the provisions of ASU 2012-05. The adoption did not significantly impact 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.

NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2: BUSINESS PLAN

In 2007, NFP developed a long-term Business Plan for the next ten years. The purpose of the Business Plan was to guide NFP through a period of anticipated and significant organizational growth. The Business Plan is generally updated and extended every two years or as required by changing economic conditions. The Business 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. Management believes that the assumptions are reasonable and achievable, although successful attainment of the objectives is not assured for any given year or cumulatively over the entire planning period.

Also in 2007, NFP initiated a $50 million dollar capital campaign that was designed to build a reserve for operating expenses that would enable NFP to implement the Business Plan over the ten-year period. The campaign was successful primarily due to the inclusion of several prominent foundations, many of whom committed to multi-year, multi-million dollar pledges. Subsequent year contributions were conditional on NFP achieving certain growth metrics outlined in the Business Plan. All of the foundation pledges have been received, and there remains only one outstanding pledge as of September 30, 2012 and 2011 from a Board Member and family (see Note 3).

NOTE 3: CONTRIBUTIONS RECEIVABLE

Contributions receivable consists of the following at September 30, 2012 and 2011:

Donor	2012	2011
Board member and family	$ 400,000	$ -
Hearst Foundation	100,000	-
Aetna Foundation	22,700	-
Former board member	-	400,000
Other	9,574	39,210
Current contributions receivable	532,274	439,210
Board member and family	800,000	-
Former board member	-	1,200,000
Aetna Foundation	29,000	-
Unamortized discount	(20,769)	(136,033)
Long-term contribution receivable	808,231	1,063,967
Total contributions receivable	$ 1,340,505	$ 1,503,177

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. Amortization of the discount is included in contribution revenue. The remaining long-term contribution receivable at September 30, 2012 is expected to be collected within one to three years.

For the year ended September 30, 2011 and prior, the long-term contribution receivable from a former board member had been discounted using a previously established rate of 4%. During 2012, the pledge was revised in that a related individual and current board member was added as a payor on the pledge. The amount, timing of payments and terms of the pledge were unchanged. The revised pledge was discounted at 1% reflective of the current interest rate environment at the date of revision. The current year installment of $400,000 was received during 2012.

NURSE-FAMILY PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

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, 2012 and 2011 was received from and was restricted to the following:

Donor	2012	2011
Aetna Foundation	$ 65,714	$ -
Heising-Simons Foundation	34,891	127,589
Pennsylvania Dept. of Public Welfare	16,780	29,088
William T. Grant Foundation	7,890	18,051
Fox Family Foundation	6,244	15,000
Virginia Hill Charitable Foundation	3,322	7,074
The Trustees Philanthropy Fund of the Fidelity Charitable Gift Fund	-	88,154
Other	150	4,699
Total cash- short-term restricted	134,991	289,655
Purchasing card collateral (Note 11)	150,038	97,703
Total cash - restricted	$ 285,029	$ 387,358

Directed-Use Categories	2012	2011
Purchasing card collateral (Note 11)	$ 150,038	$ 97,703
Program implementation	109,903	140,247
Deposits held in custody for others	15,372	34,481
Technology infrastructure	6,244	103,154
Program recipient assistance	3,322	7,074
Other	150	4,699
Total cash - restricted	$ 285,029	$ 387,358

NOTE 5: INVESTMENTS

NFP's investments consist of the following at September 30, 2012 and 2011:

Investments	2012	2011
Certificates of deposit	$ 2,320,168	$ 3,019,878
Corporate debt securities:		
Financial	3,122,671	1,531,010
Manufacturing	1,098,502	1,015,077
Technology	1,026,257	1,066,825
Energy	532,522	-
Consumer	252,210	1,046,890
Utilities	-	1,027,022
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	$ 8,747,464	$ 8,706,702

Corporate Debt Securities	2012	2011
AAA rating	$ -	$ 505,133
AA rating	784,146	4,166,684
A rating	5,248,016	1,015,007
Total corporate debt securites	$ 6,032,162	$ 5,686,824

NOTE 5: INVESTMENTS (CONTINUED)

The following schedule summarizes the investment income in the statements of activities for the years ended September 30, 2012 and 2011:

	2012	2011
Interest income	$ 256,348	$ 216,980
Net realized and unrealized losses	(165,478)	(151,706)
	$ 90,870	$ 65,274

NOTE 6: FAIR VALUE MEASUREMENTS

NFP's financial assets are measured at fair value on a recurring basis and include money market funds, certificates of deposit, treasury bills, and corporate equity and debt securities, which are classified within Level 1 or Level 2, as these assets are valued using quoted market prices or alternative pricing sources and models utilizing observable market inputs. NFP recognizes transfers of assets into and out of Levels as of the date an event or change in circumstances causes the transfer. There have been no changes in the methodologies used at September 30, 2012 and 2011, and there were no transfers between Level 1 and 2 during the year ended September 30, 2012.

The following details the related fair value measurement as of September 30, 2012 and 2011:

	Level	2012	2011
Cash and cash equivalents, including cash - restricted:			
Cash	1	$ 1,865,870	$ 697,110
Money market funds	1	$ 2,814,320	$ 64,336
Certificates of deposit	2	$ 150,038	$ 97,703
Treasury bills	2	$ -	$ 6,499,900
Investment securitites:			
Corporate equities	1	$ 395,134	$ -
Certificates of deposit	2	$ 2,320,168	$ 3,019,878
Corporate debt securities	1	$ 6,032,162	$ 5,686,824

NOTE 7: PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2012 and 2011:

Fixed-Asset Classification	2012	2011
Software in use	$ 1,235,910	$ 1,214,130
Software in development	74,289	-
Computers - servers	523,630	400,927
Computers - PC	169,273	169,273
Leasehold improvements	291,355	291,355
Furniture and fixtures	138,802	136,440
	2,433,259	2,212,125
Accumulated depreciation	(1,174,756)	(825,647)
Property and equipment, net	$ 1,258,503	$ 1,386,478

NOTE 8: RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2012 and 2011 are available for the following purposes or periods:

	2012	2011
Program implementation	$ 56,139	$ 85,234
Technology infrastructure	25,763	108,108
Program recipient assistance	3,430	7,473
For receipt in subsequent periods	1,340,505	1,503,177
Total temporarily restricted assets	$ 1,425,837	$ 1,703,992

NOTE 9: RELATED PARTY TRANSACTONS

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, 2012 and 2011, payments to IIK were $40,761 and $44,912, respectively. The NFP Board Chair is related to the IIK Executive Director. Also, the NFP Board Chair was a member of the IIK Board during 2011 and part 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, 2012 and 2011, NFP paid fees of $30,000. The NLN Board Chair was a member of NFP's Board during 2012 and 2011.

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, 2012 and 2011, total 401(k) contributions were $580,172 and $540,110, 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, 2012 and 2011 was $277,029 and $271,921, respectively. Following are the minimum future operating lease payments:

Year Ending September 30,		
2013	$	298,363
2014		304,064
2015		309,765
2016		315,466
2017		52,736

Commercial credit card program:

NFP has a commercial credit card program (Purchasing Card) with a bank with maximum borrowings of up to $150,000 and $95,000, and outstanding borrowings of $82,593 and $71,838, respectively, as of September 30, 2012 and 2011. 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 11, 2013, the date that NFP's financial statements were available to be issued, for consideration of subsequent events to be included in its September 30, 2012 financial statements.