

INVEST IN KIDS

Financial Statements As Of December 31, 2010
(With Summarized Financial Information For
The Year Ended December 31, 2009)

Together With Independent Auditors' Report

JDS professional
group
certified public accountants, consultants and advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Invest in Kids:

We have audited the accompanying statement of financial position of Invest in Kids (the "Organization") as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Organization's December 31, 2009, financial statements and, in our report dated September 13, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 audit provides 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 Invest in Kids as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

JDS Professional Group

June 20, 2011

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INVEST IN KIDS

Statement Of Financial Position

As Of December 31, 2010

(With Summarized Financial Information For The Year Ended December 31, 2009)

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	<u>2010</u>	<u>2009</u>
ASSETS		
Assets:		
Cash and cash equivalents	\$ 890,554	\$ 859,335
Receivables:		
Promises to give	139,995	130,000
Contracts and other	135,339	53,922
Prepaid expenses	5,845	7,112
Investments	249,658	348,455
Inventory	5,000	5,000
Property and equipment, net	<u>1,473</u>	<u>4,192</u>
TOTAL ASSETS	<u>\$ 1,427,864</u>	<u>\$ 1,408,016</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 21,343	\$ 5,410
Accrued liabilities	14,548	13,140
Deferred revenue	11,500	
Deferred rent	<u>1,558</u>	<u>10,572</u>
Total Liabilities	<u>48,949</u>	<u>29,122</u>
Net Assets:		
Unrestricted	796,458	843,655
Board designated - operating reserve	<u>250,000</u>	<u>250,000</u>
Total Unrestricted	1,046,458	1,093,655
Temporarily restricted	<u>332,457</u>	<u>285,239</u>
Total Net Assets	<u>1,378,915</u>	<u>1,378,894</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,427,864</u>	<u>\$ 1,408,016</u>

The accompanying notes are an integral part of the financial statements.

INVEST IN KIDS

Statement Of Activities

For The Year Ended December 31, 2010

(With Summarized Financial Information For The Year Ended December 31, 2009)

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
Support And Revenue:				
Grants	\$ 35,075	\$ 416,200	\$ 451,275	\$ 490,779
Contributions	108,938	71,500	180,438	186,340
Contracted services	583,239		583,239	524,241
Special events (net of direct benefit to donor of \$55,983)	107,918		107,918	147,025
Interest and dividends	6,456		6,456	11,714
Other income	12,011		12,011	10,427
Net assets released from restriction:				
Satisfaction of time and program restrictions	<u>440,482</u>	<u>(440,482)</u>		
Total Support and Revenue	<u>1,294,119</u>	<u>47,218</u>	<u>1,341,337</u>	<u>1,370,526</u>
Expenses:				
Program services -				
Nurses Family Partnership	336,380		336,380	329,621
Incredible Years	600,466		600,466	559,365
Good Behavior Games	<u>105,409</u>		<u>105,409</u>	<u>186,682</u>
Total Program Services	<u>1,042,255</u>		<u>1,042,255</u>	<u>1,075,668</u>
Supporting services -				
General and administration	123,395		123,395	112,563
Fundraising	<u>175,666</u>		<u>175,666</u>	<u>158,797</u>
Total Supporting Services	<u>299,061</u>		<u>299,061</u>	<u>271,360</u>
Total Expenses	<u>1,341,316</u>		<u>1,341,316</u>	<u>1,347,028</u>
CHANGES IN NET ASSETS	(47,197)	47,218	21	23,498
Net Assets, Beginning Of Year	1,093,655	285,239	1,378,894	1,355,396
NET ASSETS, END OF YEAR	<u>\$ 1,046,458</u>	<u>\$ 332,457</u>	<u>\$ 1,378,915</u>	<u>\$ 1,378,894</u>

The accompanying notes are an integral part of the financial statements.

INVEST IN KIDS

Statement Of Functional Expenses

For The Year Ended December 31, 2010

(With Summarized Financial Information For The Year Ended December 31, 2009)

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	Program Services				Supporting Services			2010 Total	2009 Total
	Nurses Family Partnership	Incredible Years	Good Behavior Games	Total	General and Administration	Fundraising	Total		
Salaries	\$ 184,330	\$ 357,951	\$ 66,594	\$ 608,875	\$ 76,377	\$ 83,820	\$ 160,197	\$ 769,072	\$ 775,947
Payroll taxes and employee benefits	26,709	54,141	10,995	91,845	14,699	13,889	28,588	120,433	111,746
Total employee expenses	211,039	412,092	77,589	700,720	91,076	97,709	188,785	889,505	887,693
Consultants	12,051	10,330	8,329	30,710	3,100	8,275	11,375	42,085	11,926
Program materials		8,979	2,165	11,144		336	336	11,480	5,084
Conferences and meetings	50,595	11,270	1,741	63,606	5	372	377	63,983	22,183
Community grants		5,000		5,000				5,000	60,816
Program evaluation services		60,770	1,574	62,344				62,344	72,553
Travel and meals	10,603	25,318	2,447	38,368	574	4,903	5,477	43,845	44,532
Marketing	44	78	24	146	17	395	412	558	45,330
Rent	18,410	35,582	6,645	60,637	7,661	8,301	15,962	76,599	66,604
Printing and publications	1,426	2,798	1,157	5,381	572	3,977	4,549	9,930	9,732
Education and staff development	1,447	4,945	491	6,883	618	2,343	2,961	9,844	6,731
Advocacy	20,000			20,000				20,000	15,000
Office expenses	5,834	12,165	1,412	19,411	3,840	2,980	6,820	26,231	15,651
IT, telecom and internet	3,165	5,646	1,131	9,942	788	961	1,749	11,691	15,004
Equipment maintenance and leasing	384	3,008	476	3,868	1,974	565	2,539	6,407	7,504
Insurance and legal fees	51	102	27	180	2,822	11	2,833	3,013	3,335
Event planning and costs						42,470	42,470	42,470	40,052
Postage and delivery	659	909	177	1,745	143	1,761	1,904	3,649	4,237
Professional services					9,963		9,963	9,963	8,964
Depreciation	672	1,474	24	2,170	242	307	549	2,719	4,097
Total	\$ 336,380	\$ 600,466	\$ 105,409	\$ 1,042,255	\$ 123,395	\$ 175,666	\$ 299,061	\$ 1,341,316	\$ 1,347,028

The accompanying notes are an integral part of the financial statements.

INVEST IN KIDS

Statement Of Cash Flows

For The Year Ended December 31, 2010

(With Summarized Financial Information For The Year Ended December 31, 2009)

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	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Changes in net assets	\$ 21	\$ 23,498
Depreciation expense	2,719	4,097
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	.	
(Increase) decrease in promises to give	(9,995)	31,500
(Increase) decrease in contracts and other receivable	(81,417)	40,209
Decrease in prepaid expenses	1,267	17,921
(Increase) in inventory		(5,000)
Increase (decrease) in accounts payable	15,933	(20,420)
(Decrease) in deferred rent	(9,014)	(6,987)
Increase in deferred revenue	11,500	
Increase in accrued liabilities	<u>1,408</u>	<u>3,696</u>
Net cash provided by (used in) operating activities	<u>(67,578)</u>	<u>88,514</u>
Cash flows from investing activities:		
Purchases of investments	(2,802)	(348,455)
Proceeds from sale of investments	<u>101,599</u>	
Net cash provided by (used in) investing activities	<u>98,797</u>	<u>(348,455)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	31,219	(259,941)
Cash And Cash Equivalents, Beginning Of Year	<u>859,335</u>	<u>1,119,276</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 890,554</u>	<u>\$ 859,335</u>

The accompanying notes are an integral part of the financial statements.

(1) **Nature Of The Organization**

Invest in Kids (the “Organization”), a Colorado nonprofit corporation, was established in 1998. The Organization’s mission is to improve the health and well-being of vulnerable young children and families throughout Colorado. Working in partnership with local communities, we identify, introduce, implement, and ensure the success of research-based, proven programs. Current programs include:

Nurse-Family Partnership (“NFP”) is a program that provides home visitation by nurses to low-income, first-time mothers on a weekly or bi-weekly basis, starting early in pregnancy and continuing until the second birthday of the child. NFP has over 30 years of research validating its effectiveness and produces improved pregnancy outcomes, better child health and development, and more economic self-sufficiency for the families who participate.

The Incredible Years (“IY”) is a highly effective program that has been proven, through over 20 years of rigorous research, to improve the social and emotional health of children ages 3-8. IY works with children, their parents, and teachers to give each of them the skills necessary for children to arrive at school emotionally and socially ready to learn, and to succeed once they are there. IY produces significant reductions in conduct problems and significant increases in social skills at home and school. The program is made up of three distinct units that work together to achieve outstanding outcomes: Parenting Education (strengthens positive parenting skills), Dinosaur School (skill building for children, taught in classrooms), and Teacher Education (teaches proven classroom management strategies).

Good Behavior Game (“GBG”) is a clearly defined classroom management strategy implemented by teachers in first grade classrooms. The program works to decrease aggressive, disruptive behavior and increase behaviors conducive to a positive learning environment. Outcomes include increased on-task behavior, decreased aggression, lifetime decreases in illicit drug use and alcohol abuse, lifetime decreases in antisocial personality disorder, and numerous other outcomes.

Revenues are derived primarily from grants, contracts, and contributions.

(2) **Summary Of Significant Accounting Policies**

Method Of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis Of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and

permanently restricted net assets. As of December 31, 2010, the Organization did not have permanently restricted net assets.

Use Of Estimates

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

Cash And Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes all highly liquid investments with an initial maturity of three months or less.

Accounts Receivable

Accounts receivable consist primarily of trade and contract receivables which generally require payment within thirty days of the invoice date. Accounts receivable are stated at the invoice or contract amount. Account balances with invoices over ninety days old are considered delinquent.

The allowance for doubtful accounts is based on management's assessment of the collectibility of specific customer accounts and the aging of the accounts receivable. All accounts or portions thereof deemed to be uncollectible are written off to the allowance for doubtful accounts. The Organization considers all accounts receivable to be collectible, therefore no allowance for doubtful accounts has been deemed necessary for the year ended December 31, 2010.

Promises To Give

Promises to give are recognized as temporarily restricted revenues or gains in the period pledged and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected within one year and at fair value if expected to be collected in more than one year. As of December 31, 2010, all promises to give are due within one year.

Management expects all promises to give will be fully collectible, accordingly, there is no allowance for uncollectible promises to give.

Inventory

Inventory, which consists of items donated for sale at auction, is stated at fair market value on the date of the donation.

Fair Value Measurements

The Organization follows *Fair Value Measurements*, which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standard are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Certificate of deposit: Reflected at cost plus accrued interest, which approximates fair market value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible

that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the balance sheets.

The carrying amount reported in the statement of financial position for cash and cash equivalents, promises to give, contracts and other receivable, accounts payable and accrued liabilities, approximate fair value because of the immediate or short-term maturities of these financial instruments.

Property And Equipment

Property and equipment are stated at cost or, if donated, the estimated fair value at the time of donation. Depreciation is provided using the straight-line method using estimated service lives ranging from 3 to 5 years.

Expenditures for maintenance, repairs and minor replacements are charged to operations. The Organization capitalizes expenditures for major replacements and betterments in excess of \$1,000 as long as the estimated useful life is longer than one year.

Contributions And Grants

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. Support is recorded as an increase in unrestricted or temporarily restricted support, depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or 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.

Donated Materials And Services

Donations of materials are recorded as contributions at their estimated fair value at the date of donation.

During the year ended December 31, 2010, the Organization received a substantial amount of donated services and time donated by volunteers. The accompanying financial statements do not reflect the estimated fair value of these donated services as they do not meet the requirements for recognition.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based on an allocation. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Reclassification

Certain amounts in the prior year financial statements have been reclassified for comparative purposes.

Subsequent Events

The Organization has performed an evaluation of subsequent events through June 20, 2011, which is the date the financial statements were available to be issued, and has considered any relevant matters in the preparation of the financial statements and footnotes.

(3) Tax Exempt Status

The Organization has previously received notice from the Internal Revenue Service of exemption from income tax under Section 501(c)(3) of the Internal Revenue Code as a public charity. As such, donors are entitled to a charitable deduction for their contribution to the Organization. Accordingly, the accompanying financial statements contain no provision for income taxes.

The Organization follows *Accounting for Uncertainty in Income Taxes*, which requires the Organization to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. During the year ended December 31, 2010, the Organization's management evaluated its tax positions to determine the existence of uncertainties, and did not note any matters that would require recognition or which may have an effect on its tax-exempt status.

The Organization is no longer subject to U.S. federal tax audits on its Form 990 by taxing authorities for fiscal years ending prior to December 31, 2007. The years subsequent to this year contain matters that could be subject to differing interpretations of applicable tax laws and regulations. Although the outcome of tax audits is uncertain, the Organization believes no issues would arise.

(4) **Concentrations Of Credit Risk**

The Organization's cash deposits are held at financial institutions at which deposits are insured up to \$250,000 per institution by the FDIC. As of December 31, 2010, the Organization's cash deposits held in interest bearing accounts exceeded the FDIC's insurance limit by approximately \$161,000.

As of December 31, 2010, 79% of promises to give are from two donors, and 32% of contracts and other receivables is from one organization. Additionally, 21% of total support and revenue were earned from one service contract during the year ended December 31, 2010.

(5) **Investments**

The following table presents the Organization's fair value hierarchy and major categories for those assets measured at fair value on a recurring basis as of December 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	<u>\$ 249,658</u>	<u>\$</u>	<u>\$</u>	<u>\$ 249,658</u>

(6) **Property And Equipment**

Property and equipment consisted of the following as of December 31, 2010:

Furniture, fixtures and equipment	\$ 37,857
Less: accumulated depreciation	<u>(36,384)</u>
Net property and equipment	<u>\$ 1,473</u>

Depreciation expense for the year ended December 31, 2010, was \$2,719.

(7) **Net Assets**

Temporarily restricted net assets as of December 31, 2010, consist of the following:

Incredible Years	\$ 211,325
Nurse-Family Partnership	<u>121,132</u>
	<u>\$ 332,457</u>

(8) **Commitments And Contingencies**

The Organization leases office space under an operating lease agreement which requires monthly payments through February 2011. The lease agreement provided for a five-month rent abatement at the beginning of the lease period. In accordance with generally accepted accounting principles, the Organization recognizes the lease expense on the straight-line method, using \$5,299 per month. During 2010, the Organization signed an amendment to the lease extending the agreement to 2018. The amendment included a second five-month rent abatement at the start of the new lease term in 2011. Additionally, the Organization leases office equipment under an operating lease. As of December 31, 2010, future minimum rental payments under the leases are as follows:

Year ended <u>December 31,</u>	
2011	\$ 51,811
2012	88,036
2013	87,962
2014	89,988
2015	92,014
2016 and thereafter	246,834
	<u>\$ 656,645</u>

Rent expense for the year ended December 31, 2010, was \$76,599.

In 2005, the Organization entered into a sublease agreement with another nonprofit organization, under which the nonprofit organization leases approximately 550 square feet of office space. The sublease is for the period October 1, 2005, through February 29, 2011. During August 2010, the Organization amended the terms of the agreement to extend the sublease through June 2012.

Total rental income for the year ended December 31, 2010, was \$12,009. The future expected sublease payments under the sublease are as follows:

Year ended <u>December 31,</u>	
2011	\$ 11,380
2012	6,811
	<u>\$ 18,191</u>

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. In that event, the Organization may be required to refund amounts to the federal government.

(9) **Expenses**

Total expenses incurred as of December 31, 2010, are as follows:

Total expenses reported by function	\$ 1,341,316
Direct benefit to donor	55,983
	<u>\$ 1,397,299</u>

(10) **Related Party**

During 2010, the Executive Director's father served as a member of the Organization's Board of Directors and a board member of Nurse-Family Partnership, which acts as an implementation partner with the Organization. The Organization performs clinical consultation and program management functions in Colorado on behalf of Nurse-Family Partnership, and is paid 25% of the technical assistance revenue earned. During the year ended December 31, 2010, the Organization earned \$40,655 in service contract revenue from Nurse-Family Partnership. Subsequent to December 31, 2010, this director resigned from the board, effective December 31, 2011.

Additionally, the Executive Director's sister was also an employee of the Organization.