

INVEST IN KIDS

Financial Statements As Of December 31, 2009
(With Summarized Financial Information For
The Year Ended December 31, 2008)

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, 2009, 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, 2008, financial statements and, in our report dated June 15, 2009, 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, 2009, 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

September 13, 2010

Members:

American Institute of Certified Public Accountants • Colorado Society of Certified Public Accountants

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INVEST IN KIDS

Statement Of Financial Position

As Of December 31, 2009

(With Summarized Financial Information For The Year Ended December 31, 2008)

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	<u>2009</u>	<u>2008</u>
ASSETS		
Assets:		
Cash and cash equivalents	\$ 859,335	\$ 1,119,276
Receivables:		
Grants	130,000	161,500
Contracts and other	53,922	94,131
Prepaid expenses	7,112	25,033
Investments	348,455	
Inventory	5,000	
Property and equipment, net	<u>4,192</u>	<u>8,289</u>
TOTAL ASSETS	<u><u>\$ 1,408,016</u></u>	<u><u>\$ 1,408,229</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 5,410	\$ 25,830
Accrued liabilities	13,140	9,444
Deferred rent	<u>10,572</u>	<u>17,559</u>
Total Liabilities	<u>29,122</u>	<u>52,833</u>
Net Assets:		
Unrestricted	843,655	787,659
Board designated - operating reserve	<u>250,000</u>	<u>250,000</u>
Total Unrestricted	1,093,655	1,037,659
Temporarily restricted	<u>285,239</u>	<u>317,737</u>
Total Net Assets	<u>1,378,894</u>	<u>1,355,396</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,408,016</u></u>	<u><u>\$ 1,408,229</u></u>

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

INVEST IN KIDS

Statement Of Activities

For The Year Ended December 31, 2009

(With Summarized Financial Information For The Year Ended December 31, 2008)

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
Support And Revenue:				
Grants	\$ 146,542	\$ 344,237	\$ 490,779	\$ 463,885
Contributions	123,955	62,385	186,340	119,868
Contracted services	524,241		524,241	572,595
Special events (net of direct benefit to donor of \$48,442)	147,025		147,025	34,704
Interest and dividends	11,714		11,714	24,994
Other income	10,427		10,427	9,876
Net assets released from restriction:				
Satisfaction of time and program restrictions	439,120	(439,120)		
Total Support and Revenue	<u>1,403,024</u>	<u>(32,498)</u>	<u>1,370,526</u>	<u>1,225,922</u>
Expenses:				
Program services -				
Nurses Family Partnership	329,621		329,621	400,856
Incredible Years	559,365		559,365	539,872
Good Behavior Games	186,682		186,682	86,524
Total Program Services	<u>1,075,668</u>		<u>1,075,668</u>	<u>1,027,252</u>
Supporting services -				
General and administration	112,563		112,563	160,714
Fundraising	158,797		158,797	105,083
Total Supporting Services	<u>271,360</u>		<u>271,360</u>	<u>265,797</u>
Total Expenses	<u>1,347,028</u>		<u>1,347,028</u>	<u>1,293,049</u>
CHANGES IN NET ASSETS	55,996	(32,498)	23,498	(67,127)
Net Assets, Beginning Of Year	1,037,659	317,737	1,355,396	1,422,523
NET ASSETS, END OF YEAR	<u>\$ 1,093,655</u>	<u>\$ 285,239</u>	<u>\$ 1,378,894</u>	<u>\$ 1,355,396</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, 2009

(With Summarized Financial Information For The Year Ended December 31, 2008)

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	Program Services				Supporting Services			2009 Total	2008 Total
	Nurses Family Partnership	Incredible Years	Good Behavior Games	Total	General and Administration	Fundraising	Total		
Salaries	\$ 213,783	\$ 285,911	\$ 123,307	\$ 623,001	\$ 71,885	\$ 81,061	\$ 152,946	\$ 775,947	\$ 727,186
Payroll taxes	17,755	23,058	10,844	51,657	6,376	7,057	13,433	65,090	57,238
Employee benefits	10,342	18,070	9,192	37,604	2,407	6,645	9,052	46,656	44,084
Total employee expenses	241,880	327,039	143,343	712,262	80,668	94,763	175,431	887,693	828,508
Consultants	2,303	2,567	5,681	10,551	659	716	1,375	11,926	18,527
Program materials		1,817	3,267	5,084				5,084	7,185
Conferences and meetings	8,678	11,228	2,146	22,052	2	129	131	22,183	39,739
Community grants		60,816		60,816				60,816	34,868
Program evaluation services		70,981	1,572	72,553				72,553	118,761
Travel and meals	13,766	21,892	4,567	40,225	678	3,629	4,307	44,532	57,261
Marketing	13,063	15,199	7,943	36,205	4,618	4,507	9,125	45,330	14,418
Rent	18,289	24,493	10,430	53,212	6,510	6,882	13,392	66,604	65,807
Printing and publications	2,640	3,508	1,386	7,534	874	1,324	2,198	9,732	10,979
Education and staff development	1,501	2,079	534	4,114	794	1,823	2,617	6,731	14,761
Advocacy	15,000			15,000				15,000	15,072
Office expenses	3,597	5,129	2,057	10,783	2,700	2,168	4,868	15,651	12,332
IT, telecom and internet	4,721	5,385	2,206	12,312	1,252	1,440	2,692	15,004	17,642
Equipment maintenance and leasing	2,067	4,011	450	6,528	773	203	976	7,504	4,610
Insurance and legal fees					3,335		3,335	3,335	5,005
Event planning and costs						40,052	40,052	40,052	4,843
Postage and delivery	1,129	1,496	576	3,201	334	702	1,036	4,237	4,376
Professional services					8,964		8,964	8,964	8,723
Dues and subscriptions									2,276
Volunteer expenses									395
Depreciation	987	1,725	524	3,236	402	459	861	4,097	6,961
Total	\$ 329,621	\$ 559,365	\$ 186,682	\$ 1,075,668	\$ 112,563	\$ 158,797	\$ 271,360	\$ 1,347,028	\$ 1,293,049

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

INVEST IN KIDS

Statement Of Cash Flows

For The Year Ended December 31, 2009

(With Summarized Financial Information For The Year Ended December 31, 2008)

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	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Changes in net assets	\$ 23,498	\$ (67,127)
Depreciation expense	4,097	6,961
Loss on investments		77
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Decrease in grants receivable	31,500	85,200
(Increase) decrease in contracts receivable	40,209	(30,847)
(Increase) decrease in prepaid expenses	17,921	(16,550)
(Increase) in inventory	(5,000)	
Increase (decrease) in accounts payable	(20,420)	16,961
(Decrease) in deferred rent	(6,987)	(4,961)
Increase (decrease) in accrued liabilities	3,696	(27,982)
Net cash provided by (used in) operating activities	<u>88,514</u>	<u>(38,268)</u>
Cash flows from investing activities:		
Additions to property and equipment		(5,874)
Purchases of investments	(348,455)	
Proceeds from investments		485
Net cash (used in) investing activities	<u>(348,455)</u>	<u>(5,389)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(259,941)	(43,657)
Cash And Cash Equivalents, Beginning Of Year	<u>1,119,276</u>	<u>1,162,933</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 859,335</u>	<u>\$ 1,119,276</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.

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 children’s second birthdays. NFP has over 30 years of research validating its effectiveness and produces improved pregnancy outcome, 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 mental, social, and emotional health of children ages 3-8. IY works with children, their parents, and their 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 boosts academic success, is culturally sensitive, produces significant reductions in conduct problems and significant increases in social skills. IY 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, 2009, 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, 2009.

Grants Receivable

Grants receivable consist of unconditional promises to give and 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. Grants receivable 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, 2009, all grants receivable are due within one year.

Management expects all grants receivable will be fully collectible, accordingly, there is no allowance for uncollectible grants receivable.

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 adopted 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, accounts receivable, accounts payable and accrued liabilities, approximate fair value because of the immediate or short-term maturities of these financial instruments.

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 statement of financial position.

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, 2009, 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, 2008, from which the summarized information was derived.

Subsequent Events

The Organization has performed an evaluation of subsequent events through September 13, 2010, 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 adopted the Accounting for Uncertainty in Income Taxes accounting standard, 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, 2009, 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 affect on its tax-exempt status.

(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, 2009, the Organization's cash deposits held in interest bearing accounts exceeded the FDIC's insurance limit by approximately \$102,000.

As of December 31, 2009, 100% of the grants receivable is from two donors, and 100% of contracts and other receivables is from two entities.

(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, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	<u>\$</u>	<u>\$ 348,455</u>	<u>\$</u>	<u>\$ 348,455</u>

(6) **Property And Equipment**

Property and equipment consisted of the following as of December 31, 2009:

Furniture, fixtures and equipment	\$ 47,681
Less: accumulated depreciation	<u>(43,489)</u>
Net property and equipment	<u>\$ 4,192</u>

Depreciation expense for the year ended December 31, 2009, was \$4,097.

(7) **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. Additionally, the Organization leases office equipment under an operating lease. As of December 31, 2009, future minimum rental payments under the leases are as follows:

<u>Year ended</u>	
<u>December 31,</u>	
2010	\$ 76,798
2011	16,356
2012	<u>2,100</u>
	<u>\$ 95,254</u>

Rent expense for the year ended December 31, 2009, was \$66,605.

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.

Total rental income for the year ended December 31, 2009, was \$10,423. The future expected sublease payments under the sublease are as follows:

Year ended	
<u>December 31,</u>	
2010	\$ 9,852
2011	1,649
	<u>\$ 11,501</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.

(8) Net Assets

Temporarily restricted net assets as of December 31, 2009, consist of the following:

Incredible Years	\$ 56,888
Nurse-Family Partnership	144,181
General Operations - time restrictions	75,000
Marketing	9,170
	<u>\$ 285,239</u>

(9) Expenses

Total expenses incurred as of December 31, 2009, are as follows:

Total expenses reported by function	\$ 1,347,028
Direct benefit to donor	48,442
	<u>\$ 1,395,470</u>

(10) **Related Party**

During 2009, the Executive Director's father served as a member of the Organization's Board of Director. Additionally, the Executive Director's sister was also an employee of the Organization.