

**NPH USA AND AFFILIATE**  
Chicago, Illinois

**CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2013 and 2012



**CliftonLarsonAllen**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
NPH USA and Affiliate  
Chicago, Illinois

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of NPH USA (formerly known as Friends of the Orphans) and Affiliate (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Consolidating Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information beginning on page 24 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual organizations, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Oak Brook, Illinois  
April 25, 2014

**NPH USA AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2013 and 2012**

**ASSETS**

	<u><b>2013</b></u>	<u><b>2012</b></u>
Cash and cash equivalents	\$ 4,179,121	\$ 4,453,442
Accounts receivable	-	1,718
Pledges receivable net of allowance for uncollectible pledges of \$48,222 in 2013 and \$21,539 in 2012	175,297	352,043
Prepaid expenses	87,335	79,525
Investments	12,666,857	11,113,502
Beneficial interest in perpetual trusts	2,803,116	2,638,866
Beneficial interest in land trusts	37,500	37,500
Fixed assets, net	28,177	84,177
Other assets	<u>33,135</u>	<u>35,670</u>
 <b>TOTAL ASSETS</b>	 <u><b>\$ 20,010,538</b></u>	 <u><b>\$ 18,796,443</b></u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 330,790	\$ 998,370
Accrued expenses and other liabilities	400,927	382,088
Due to other organizations	<u>2,033</u>	<u>3,751</u>
Total liabilities	<u>733,750</u>	<u>1,384,209</u>

**NET ASSETS**

Unrestricted net assets	2,551,403	2,075,397
Temporarily restricted net assets	3,680,898	2,850,192
Permanently restricted net assets	<u>13,044,487</u>	<u>12,486,645</u>
Total net assets	<u>19,276,788</u>	<u>17,412,234</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 20,010,538</b></u>	<u><b>\$ 18,796,443</b></u>
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The accompanying notes are an integral part of the consolidated financial statements.

**NPH USA AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>UNRESTRICTED NET ASSETS</b>		
Support:		
Contributions	\$ 10,913,041	\$ 10,309,495
Bequests	362,492	163,132
Donated services and materials	1,610,430	5,469,541
Special events	1,685,419	1,322,066
Revenue:		
Interest and dividends	11,480	12,190
Unrealized gain	32,774	5,206
Realized gain	8,365	11,334
Distributions from beneficial interest in trusts	91,241	100,621
Miscellaneous	28,652	44,239
Net assets released from restrictions	<u>740,292</u>	<u>697,921</u>
Total unrestricted support and revenue	<u>15,484,186</u>	<u>18,135,745</u>
Expenses:		
Program services	11,202,167	14,529,503
Management and general	1,379,337	1,134,221
Fundraising	<u>2,426,676</u>	<u>2,156,013</u>
Total expenses	<u>15,008,180</u>	<u>17,819,737</u>
Increase in unrestricted net assets	<u>476,006</u>	<u>316,008</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Revenue:		
Interest and dividends	175,617	149,838
Unrealized gain	1,152,454	288,969
Realized gain	242,927	408,431
Net assets released from restrictions	<u>(740,292)</u>	<u>(697,921)</u>
Increase in temporarily restricted net assets	<u>830,706</u>	<u>149,317</u>
<b>PERMANENTLY RESTRICTED NET ASSETS</b>		
Support:		
Contributions	213,087	203,860
Revenue:		
Interest and dividends	68,309	52,173
Unrealized gain	85,604	134,470
Realized gain	26,592	94,076
Change in value of trusts	<u>164,250</u>	<u>121,373</u>
Increase in permanently restricted net assets	<u>557,842</u>	<u>605,952</u>
<b>CHANGE IN NET ASSETS</b>	1,864,554	1,071,277
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>17,412,234</u>	<u>16,340,957</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 19,276,788</u>	<u>\$ 17,412,234</u>

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

**NPH USA AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2013**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Support Services</b>	<b>Total</b>
Salaries	\$ 285,675	\$ 457,267	\$ 1,476,566	\$ 1,933,833	\$ 2,219,508
Payroll taxes	25,277	40,459	130,648	171,107	196,384
Employee benefits	29,483	47,191	152,387	199,578	229,061
	<u>340,435</u>	<u>544,917</u>	<u>1,759,601</u>	<u>2,304,518</u>	<u>2,644,953</u>
Support to Orphanages - NPHI:					
Operations - direct support	6,107,439	-	-	-	6,107,439
Operations - designated and sharing	2,743,355	-	-	-	2,743,355
Donated materials and supplies	1,610,430	-	-	-	1,610,430
	<u>10,461,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,461,224</u>
Bank and credit card fees	-	6,968	107,468	114,436	114,436
Consulting and outside services	-	-	41,913	41,913	41,913
Cultivation	-	-	17,930	17,930	17,930
Bad debt expense	50,762	500	-	500	51,262
Depreciation and amortization	-	36,154	-	36,154	36,154
Dues and subscriptions	-	4,419	-	4,419	4,419
Employee search and relocation	-	14,945	-	14,945	14,945
Event supplies	-	327,320	-	327,320	327,320
Hospitality and meals	-	34,193	-	34,193	34,193
Insurance	-	23,085	-	23,085	23,085
Investment fees	-	28,135	-	28,135	28,135
Licenses and fees	-	61,761	-	61,761	61,761
Occupancy	71,671	88,139	124,316	212,455	284,126
Office equipment	-	23,022	-	23,022	23,022
Office supplies	-	25,810	25,811	51,621	51,621
Outside services	-	66,031	82,343	148,374	148,374
Postage and shipping	21,302	21,301	42,602	63,903	85,205
Professional fees	23,832	9,687	-	9,687	33,519
Program education and marketing	-	9,178	135,093	144,271	144,271
Promotion	-	-	4,398	4,398	4,398
Repair and maintenance	-	7,831	-	7,831	7,831
Telecommunications	-	8,411	16,717	25,128	25,128
Training and seminars	-	3,281	1,650	4,931	4,931
Travel	190,803	21,009	66,834	87,843	278,646
Loss on disposal	41,174	-	-	-	41,174
Miscellaneous	964	13,240	-	13,240	14,204
	<u>400,508</u>	<u>834,420</u>	<u>667,075</u>	<u>1,501,495</u>	<u>1,902,003</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 11,202,167</u>	<u>\$ 1,379,337</u>	<u>\$ 2,426,676</u>	<u>\$ 3,806,013</u>	<u>\$ 15,008,180</u>

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

**NPH USA AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2012

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Support Services</b>	<b>Total</b>
Salaries	\$ 254,075	\$ 609,693	\$ 1,415,218	\$ 2,024,911	\$ 2,278,986
Payroll taxes	19,711	47,299	109,789	157,088	176,799
Employee benefits	21,277	51,057	118,514	169,571	190,848
	<u>295,063</u>	<u>708,049</u>	<u>1,643,521</u>	<u>2,351,570</u>	<u>2,646,633</u>
Support to Orphanages - NPHI:					
Operations - direct support	5,255,358	-	-	-	5,255,358
Operations - designated and sharing	3,236,880	-	-	-	3,236,880
Donated materials and supplies	5,442,368	-	-	-	5,442,368
	<u>13,934,606</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,934,606</u>
Bank and credit card fees	-	4,946	89,973	94,919	94,919
Consulting and outside services	27,204	-	26,212	26,212	53,416
Cultivation	-	-	8,965	8,965	8,965
Bad debt recoveries, net	-	(47,171)	-	(47,171)	(47,171)
Depreciation and amortization	-	27,943	-	27,943	27,943
Dues and subscriptions	-	3,384	-	3,384	3,384
Employee search and relocation	-	14,965	-	14,965	14,965
Event supplies	-	-	47,742	47,742	47,742
Hospitality and meals	-	27,092	-	27,092	27,092
Insurance	-	21,385	-	21,385	21,385
Investment fees	-	18,649	-	18,649	18,649
Licenses and fees	-	49,435	-	49,435	49,435
Occupancy	68,792	89,821	115,470	205,291	274,083
Office equipment	-	25,198	-	25,198	25,198
Office supplies	-	26,436	25,903	52,339	52,339
Outside services	-	7,645	-	7,645	7,645
Postage and shipping	21,844	21,844	43,688	65,532	87,376
Professional fees	-	56,529	-	56,529	56,529
Program education and marketing	-	5,223	80,841	86,064	86,064
Promotion	-	-	2,824	2,824	2,824
Repair and maintenance	-	8,071	-	8,071	8,071
Telecommunications	-	12,152	19,911	32,063	32,063
Training and seminars	-	1,850	3,032	4,882	4,882
Travel	181,324	11,663	47,931	59,594	240,918
Miscellaneous	670	39,112	-	39,112	39,782
	<u>299,834</u>	<u>426,172</u>	<u>512,492</u>	<u>938,664</u>	<u>1,238,498</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 14,529,503</u>	<u>\$ 1,134,221</u>	<u>\$ 2,156,013</u>	<u>\$ 3,290,234</u>	<u>\$ 17,819,737</u>

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



**NPH USA AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,864,554	\$ 1,071,277
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Provision for (recoveries of) bad debts	51,262	(47,171)
Depreciation and amortization	36,154	27,943
Loss on sale of fixed assets	41,174	-
Realized gain on investments	(277,884)	(513,841)
Unrealized gain on investments	(1,270,832)	(428,645)
Change in value of perpetual trusts	(164,250)	(121,373)
Permanently restricted contributions	(213,087)	(203,860)
(Increase) decrease in:		
Accounts receivable	14,253	115,538
Pledges receivable	125,484	-
Prepaid expenses	(7,810)	3,970
Increase (decrease) in:		
Accounts payable	(677,580)	880,293
Accrued expenses and other liabilities	18,839	176,685
Due to other organizations	(1,718)	3,751
Net cash provided by (used in) operating activities:	<u>(461,441)</u>	<u>964,567</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets and software	(21,328)	(57,966)
Proceeds from sales and maturities of investments	2,453,386	2,014,790
Purchase of investments	<u>(2,458,025)</u>	<u>(1,973,660)</u>
Net cash used in investing activities	<u>(25,967)</u>	<u>(16,836)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions received for endowment	<u>213,087</u>	<u>203,860</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(274,321)	1,151,591
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>4,453,442</u>	<u>3,301,851</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 4,179,121</u>	<u>\$ 4,453,442</u>

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

**NPH USA AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2013 and 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

NPH USA, formerly known as Friends of the Orphans, was organized as an Illinois nonprofit corporation on June 29, 2004. NPH USA is organized and operated exclusively for charitable and educational purposes. NPH USA is dedicated to improving the lives of orphaned, abandoned, and disadvantaged children through its support of the Nuestros Pequeños Hermanos International, A.C. (NPHI) network of orphanages in Latin America and the Caribbean.

Father Wasson Legacy Endowment, Inc. (FWLEI), is a nonprofit endowment described in Section 501(c)(3) of the Internal Revenue Code (IRC). The FWLEI is organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of NPH USA, its sole member.

Significant accounting policies followed by NPH USA and FWLEI are presented below.

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of NPH USA and FWLEI, collectively known as the Organization. Interorganization transactions and balances have been eliminated in consolidation.

**Basis of Presentation**

Contributions received are recorded as an increase in unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Donor-restricted contributions are reported as unrestricted support where the restrictions have been satisfied in the same year in which the revenue is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as "Net assets released from restrictions". Net assets of the Organization and changes therein are classified and reported as follows:

**Unrestricted** - Those resources over which the board of directors (board) has discretionary control. It is the policy of the board to review its plans for future support of orphaned, abandoned, and disadvantaged children and other related special purposes and designate sums of unrestricted net assets to specific locations and special purposes.

**Temporarily Restricted** - Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Organization or the passage of time.

**NPH USA AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Permanently Restricted** - Those resources subject to a donor-imposed restriction that they be maintained permanently by the Organization. The donors of these resources permit the Organization to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes.

**Cash and Cash Equivalents**

Cash and cash equivalents are comprised of demand deposits and money market accounts. The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**Accounts Receivable**

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables.

**Pledges Receivable**

Contributions are recognized when the donor makes a pledge to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on prior years' experience and management's analysis of specific pledges made.

**Investments**

The Organization carries investments in marketable securities with readily determinable market values (considered Level 1 in the fair value hierarchy) and all investments in debt securities at their fair values.

**Beneficial Interests in Trusts**

Beneficial interests in trusts consist of assets held in perpetual trusts and a beneficial interest in a land trust.

**NPH USA AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Beneficial Interests in Perpetual Trust** - The Organization is the beneficiary of two perpetual trusts held by a third party. Under the terms of the trusts, the Organization has the irrevocable right to receive the income generated by the trust in perpetuity. The beneficial interest in the perpetual trusts is recorded at the fair value. Changes in net assets of the trusts are recorded as gain or losses (change in value of trusts) on the Consolidated Statements of Activities. Net assets and changes in the net assets are recorded as permanently restricted. Distributions received from these trusts are recorded as temporarily restricted or unrestricted income, in accordance with the respective trust agreements.

**Beneficial Interest in Land Trust** - The Organization is the beneficiary of a land trust held by a third party. Under the terms of the trust, the Organization has the irrevocable right to receive 25% of the income generated by the trust. The beneficial interest in the land trust is recorded at the fair value. Changes in net assets of the trust are recorded as gains or losses (change in value of trusts) on the Consolidated Statements of Activities. Net assets and changes in the net assets are recorded as temporarily restricted. Distributions received from this trust are recorded as unrestricted income.

**Fixed Assets**

Furniture, equipment, and vehicles are stated at cost or estimated value if donated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, generally five years. All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets are capitalized.

**Donated Services and Materials**

Donated services are recognized for those that improve or enhance property and equipment (as contributions and increases to the basis of property and equipment) or for those that require specialized skills (as contributions and expenses), are performed by people with those skills and would otherwise be purchased by the Organization.

Donations of materials and non-cash assets are recorded as contributions at their estimated fair value at the date of donation. Such donations are recorded as increases in unrestricted net assets unless the donor has restricted the donated materials to a specific purpose. Donated materials are expensed as program supplies. Donated non-cash assets are recorded in accordance with the Organization's capitalization policy and depreciated if required.

Although highly valued by the Organization, contributions of time and services provided by many volunteers do not meet the criteria for recognition and, therefore, are not recognized in the consolidated financial statements.

**NPH USA AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Expenses**

Operating expenses directly identified with a functional area are charged to such area and, where such expenses affect more than one area, they are allocated to the respective areas on the basis of ratios, as estimated by management.

**Fair Value Measurement**

The Organization follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the Organization has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the Consolidated Statements of Financial Position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* - Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as the U.S. Treasury and other U.S. Government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. Level 1 includes various mutual funds, collective funds, and U.S. Treasury futures.

*Level 2* - Financial assets and liabilities are valued using inputs quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full-term through corroboration with observable market data. Level 2 includes private collateralized mortgage obligations, municipal bonds, and corporate debt securities.

*Level 3* - Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes private equity, venture capital, hedge funds and real estate, as well as beneficial interests in trusts.

**Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NPH USA AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2013 and 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Tax Status**

The Organization is a nonprofit organization exempt from paying corporate federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). It has been classified as an organization that is not a private foundation under the IRC and charitable contributions by donors are tax deductible.

The Organization has evaluated its tax positions and determined it has no uncertain tax positions at December 31, 2013 and 2012.

The Organization's 2010 - 2013 tax years are open for examination by the Internal Revenue Service (IRS). Should the Organization's tax-exempt status be challenged in the future, all years since inception could be subject to review by the IRS.

**Subsequent Events**

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition for disclosure through April 25, 2014, the date the financial statements were available to be issued.

**NOTE 2 PLEDGES RECEIVABLE**

Pledges receivable as of December 31, 2013 and 2012 consist of time restricted contributions from various donors to support ongoing operations and the NPHI network of orphanages in Latin America. Pledges receivable consist of the following at December 31:

	<b><u>2013</u></b>	<b><u>2012</u></b>
Pledges receivable due:		
In less than one year	\$ 34,283	\$ 190,302
In one to five years	188,936	182,980
In more than five years	<u>300</u>	<u>300</u>
Total	223,519	373,582
Less allowance for uncollectible pledges	<u>(48,222)</u>	<u>(21,539)</u>
<b>Total pledges receivable</b>	<b><u>\$ 175,297</u></b>	<b><u>\$ 352,043</u></b>

Pledges expected to be received more than one year from the Statements of Financial Position date are discounted to present value. At December 31, 2013 and 2012, any related present value discount was considered insignificant.

**NPH USA AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 3 INVESTMENTS**

Investments consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Common stocks	\$ 10,027,336	\$ 7,930,798
Fixed-income government agencies	599,041	725,652
Exchange traded funds:		
Equities	-	138,480
Commodities	383,859	513,572
Fixed-income	<u>1,656,621</u>	<u>1,805,000</u>
<b>Total investments</b>	<u>\$ 12,666,857</u>	<u>\$ 11,113,502</u>

Investment management fees incurred during the years ended December 31, 2013 and 2012 totaled \$117,120 and \$115,470, respectively. \$88,985 and \$96,821 of the total fees for the years ended December 31, 2013 and 2012, respectively, that are attributable to temporarily or permanently restricted endowment funds have been netted against the respective investment return on the Consolidated Statements of Activities.

**NOTE 4 FIXED ASSETS**

Fixed assets consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Furniture and equipment	\$ 174,702	\$ 376,519
Website development	<u>-</u>	<u>41,175</u>
Total	174,702	417,694
Less accumulated depreciation and amortization	<u>(146,525)</u>	<u>(333,517)</u>
<b>Total fixed assets</b>	<u>\$ 28,177</u>	<u>\$ 84,177</u>

Depreciation and amortization expense charged to operations for the years ended December 31, 2013 and 2012 totaled \$36,154 and \$27,943, respectively.

**NPH USA AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 5 DUE TO OTHER ORGANIZATIONS**

The Organization collects payments throughout the year for other nonprofit organizations in an agency capacity. The amounts collected that have not been remitted to these organizations are reflected as liabilities at year-end.

In 2009, the Organization entered into an agency relationship with Ciudad de los Niños de Matamoros for the transfer of funds to NPHI. As of December 31, 2013 and 2012, there were unremitted amounts of \$2,033 and \$3,751, respectively.

**NOTE 6 RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Immunization, health, medical, and educational needs	\$ 256,315	\$ 402,935
Beneficial interest in land trust	37,500	37,500
Time restricted pledges receivable	175,297	351,543
Unappropriated earnings from endowment	<u>3,211,786</u>	<u>2,058,214</u>
<b>Total temporarily restricted net assets</b>	<b><u>\$ 3,680,898</u></b>	<b><u>\$ 2,850,192</u></b>

Permanently restricted net assets consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
General Fund	\$ 10,135,645	\$ 6,602,733
Medical Fund	44,535	44,535
Education Fund	44,535	44,535
Hightower/Kloos Legacy Fund	<u>16,656</u>	<u>16,481</u>
Total endowment funds	10,241,371	6,708,284
Beneficial interest in perpetual trusts	2,803,116	2,638,866
Sky Blue Waters Fund	<u>-</u>	<u>3,139,495</u>
<b>Total permanently restricted net assets</b>	<b><u>\$ 13,044,487</u></b>	<b><u>\$ 12,486,645</u></b>



**NPH USA AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 6 RESTRICTED NET ASSETS (CONTINUED)**

Endowment contributions are to be invested and held indefinitely, with the income from the endowment expendable to support the NPHI orphanages and pay endowment expenses. At the time of their gifts, donors are given the opportunity to designate that the endowment may expend the principal in the event of a major, natural disaster. As of December 31, 2013 and 2012, donors have designated \$5,820,666 and \$5,624,804 respectively, to be used in the event of a natural disaster as further defined in the endowment's policies.

Also included as part of permanently restricted net assets, are the contributions donated by a single donor and the earnings on such that were to be invested and held in a separate investment account called the Sky Blue Waters Fund until the fair value of the Fund was \$3,500,000. During the year ended December 31, 2013, the Fund met the fair value threshold. The Fund was then terminated and its assets commingled with the other assets of the General Endowment Fund in accordance with the donor agreement.

**NOTE 7 DONATED SERVICES AND MATERIALS**

For the years ended December 31, 2013 and 2012, the Organization received contributions for professional services requiring specialized skills in the amount of \$0 and \$27,171, respectively.

During the years ended December 31, 2013 and 2012, the Organization received donated materials of \$1,610,430 and \$5,442,368, respectively.

**NOTE 8 FAIR VALUE MEASUREMENTS**

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization values all other assets and liabilities refer to Note 1 - Summary of Significant Accounting Policies - Organization.

**NPH USA AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)**

Assets measured at fair value on a recurring basis as of December 31, 2013 and 2012 are as follows:

<u>December 31, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks	\$ 10,027,336	\$ -	\$ -	\$ 10,027,336
Fixed-income government agencies	599,041	-	-	599,041
Exchange traded funds:				
Commodities	383,859	-	-	383,859
Fixed-income	1,656,621	-	-	1,656,621
Beneficial interest in perpetual trusts	-	-	2,803,116	2,803,116
Beneficial interest in land trust	-	-	37,500	37,500
<b>Total assets at fair value</b>	<u>\$ 12,666,857</u>	<u>\$ -</u>	<u>\$ 2,840,616</u>	<u>\$ 15,507,473</u>

December 31, 2012

Common stocks	\$ 7,930,798	\$ -	\$ -	\$ 7,930,798
Fixed-income government agencies	725,652	-	-	725,652
Exchange traded funds:				
Equities	138,480	-	-	138,480
Commodities	513,572	-	-	513,572
Fixed-income	1,805,000	-	-	1,805,000
Beneficial interest in perpetual trusts	-	-	2,638,866	2,638,866
Beneficial interest in land trust	-	-	37,500	37,500
<b>Total assets at fair value</b>	<u>\$ 11,113,502</u>	<u>\$ -</u>	<u>\$ 2,676,366</u>	<u>\$ 13,789,868</u>

The following table provides a summary of changes in fair value of the Organization's Level 3 financial assets for the years ended December 31:

	<u>2013</u>	<u>2012</u>
Balance, January 1	\$ 2,676,366	\$ 2,554,993
Change in value	<u>164,250</u>	<u>121,373</u>
<b>Balance, December 31</b>	<u><u>\$ 2,840,616</u></u>	<u><u>\$ 2,676,366</u></u>

**NPH USA AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)**

The valuation of the Level 3 beneficial interest in perpetual trust is based on the fair market value of assets as indicated on the Annual Statement received from the trustee. The valuation of the Level 3 beneficial interest in land trust is based on 25% of the value of the trust property determined through an independent appraisal at December 31, 2011.

**NOTE 9 ENDOWMENT**

The FWLEI endowment fund consists of four individual funds and reflects the donor-imposed restriction that the original gifts are maintained and income be used to support operations and for annual distributions to NPH USA for the exclusive benefit of NPHI. The endowment fund did not include the assets of the Sky Blue Waters Fund during 2012. See Note 6. In addition, and consistent with donor wishes, funds may be distributed to one or more NPHI family homes in the event of extensive destruction of property or life as a result of a major, natural, devastating disaster. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

FWLEI has interpreted the state of Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the endowment classifies as permanently restricted net assets as: (a) the original value of gifts donated to the permanent endowment, plus (b) the original value of the subsequent gifts to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the endowment in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the endowment considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the endowment fund.
- The purposes of the endowment and the donor-restricted endowment fund.
- General economic conditions.

**NPH USA AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2013 and 2012**

**NOTE 9 ENDOWMENT (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

- The possible effect of inflation or deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the endowment.
- The investment policies of the endowment.

Endowment net assets consisted of the following at December 31, 2013 and 2012:

<u>December 31, 2013</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 3,211,786	\$ 10,241,371	\$ 13,453,157
Board-designated quasi-endowment funds	<u>259,793</u>	<u>-</u>	<u>-</u>	<u>259,793</u>
<b>Total funds</b>	<u>\$ 259,793</u>	<u>\$ 3,211,786</u>	<u>\$ 10,241,371</u>	<u>\$ 13,712,950</u>
<u>December 31, 2012</u>				
Donor-restricted endowment funds	\$ -	\$ 2,058,214	\$ 6,708,284	\$ 8,766,498
Board-designated quasi-endowment funds	<u>209,344</u>	<u>-</u>	<u>-</u>	<u>209,344</u>
<b>Total funds</b>	<u>\$ 209,344</u>	<u>\$ 2,058,214</u>	<u>\$ 6,708,284</u>	<u>\$ 8,975,842</u>

**NPH USA AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 9 ENDOWMENT (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

Changes in the endowment fund net assets included the following at December 31, 2013 and 2012:

<u>December 31, 2013</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 209,344	\$ 2,058,214	\$ 6,708,284	\$ 8,975,842
Investment return:				
Investment income	4,625	175,617	-	180,242
Net appreciation (realized and unrealized)	<u>46,786</u>	<u>1,395,381</u>	<u>-</u>	<u>1,442,167</u>
Total investment return	<u>51,411</u>	<u>1,570,998</u>	<u>-</u>	<u>1,622,409</u>
Contributions	<u>-</u>	<u>-</u>	<u>3,533,087</u>	<u>3,533,087</u>
Appropriation of endowment assets for expenditures	<u>417,426</u>	<u>(417,426)</u>	<u>-</u>	<u>-</u>
Withdrawals	<u>(418,388)</u>	<u>-</u>	<u>-</u>	<u>(418,388)</u>
<b>Endowment net assets, end of year</b>	<u>\$ 259,793</u>	<u>\$ 3,211,786</u>	<u>\$ 10,241,371</u>	<u>\$ 13,712,950</u>

**NPH USA AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2013 and 2012**

**NOTE 9 ENDOWMENT (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

<u>December 31, 2012</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 186,503	\$ 1,813,976	\$ 6,684,424	\$ 8,684,903
Investment return:				
Investment income	4,158	149,838	-	153,996
Net appreciation (realized and unrealized)	19,353	697,400	-	716,753
Total investment return	23,511	847,238	-	870,749
Contributions	-	-	23,860	23,860
Appropriation of endowment assets for expenditures	603,000	(603,000)	-	-
Withdrawals	(603,670)	-	-	(603,670)
<b>Endowment net assets, end of year</b>	<b>\$ 209,344</b>	<b>\$ 2,058,214</b>	<b>\$ 6,708,284</b>	<b>\$ 8,975,842</b>

**Return Objectives and Risk Parameters**

The endowment has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment fund while seeking to maintain the purchasing power of the endowment fund assets. Endowment fund assets include those assets of donor-restricted funds that the endowment must hold in perpetuity. Under this policy, the endowment fund assets are diversified in order to control volatility of returns and invested to obtain future growth to offset inflation while assuming a moderate level of investment risk.

**NPH USA AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2013 and 2012**

**NOTE 9 ENDOWMENT (CONTINUED)**

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the endowment relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The endowment has adopted a spending policy of making one annual distribution of up to 5% of the total of assets, excluding current year contributions, from the endowment fund as of December 31. Notwithstanding the foregoing, no distribution shall reduce the value of the endowment fund below the original capital contributions increased by the value of all additional capital contributions received during that year (subject to any donor limitations or restrictions). Capital contributions are defined as the original value of the donation (on the date of the donation) and do not include earnings, dividends, unrealized gains or losses, or other changes based on the investment of the endowment fund.

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires. At December 31, 2013 and 2012, there were no deficient endowment funds.

**NOTE 10 LEASE COMMITMENTS**

The Organization has entered into various operating lease agreements for office space throughout the United States of America. Under certain of the agreements, the Organization is also liable for a proportionate share of common operating costs.

Future minimum cash payments under these lease agreements are as follows:

<b><u>Years Ending December 31,</u></b>	<b><u>Amount</u></b>
2014	\$ 236,860
2015	185,069
2016	157,060
2017	116,858
2018	108,125
Thereafter	<u>117,135</u>
<b>Total</b>	<b><u>\$ 921,107</u></b>

**NPH USA AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 10 LEASE COMMITMENTS (CONTINUED)**

Total charges to operations for rental expense during the years ended December 31, 2013 and 2012 amounted to \$279,981 and \$263,231, respectively.

**NOTE 11 POST RETIREMENT BENEFIT CONTRACT**

The Organization has a retirement benefit contract for one former executive. The contract provides payments for health and dental benefits for a period that ends on June 30, 2018 or the death of the participant. The payment amounts are based on the actual premium amounts subject to periodic maximums and a specified supplemental cash payment. These amounts are insignificant and not accrued. The amount paid by the Organization for the years ended December 31, 2013 and 2012 totaled \$4,622 and \$4,523, respectively.

**NOTE 12 RELATED PARTY TRANSACTIONS**

Contribution revenues from members of the board of NPH USA and FWLEI totaled \$347,636 and \$391,031 for the years ended December 31, 2013 and 2012, respectively.

**NOTE 13 CONDITIONAL PLEDGES**

FLWEI has received pledges from individuals indicating an intention to name the endowment as the beneficiary in wills, trusts, and life insurance contracts. These pledges are all revocable. Since these pledges do not meet the criteria for revenue recognition, they are not reflected as contributions in the Consolidated Statements of Activities. These conditional pledges totaled approximately \$1,745,000 at December 31, 2013 and 2012.

**NOTE 14 COMMITMENT**

During 2013, the Organization's board approved a commitment to provide funding to NPHI in the amount of \$5,000,000 for the year 2014. This commitment is conditional based upon adequate funding being available through the Organization's fundraising efforts.

This information is an integral part of the accompanying consolidated financial statements.



**SUPPLEMENTARY INFORMATION**

**NPH USA AND AFFILIATE**  
**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**  
**December 31, 2013**

**ASSETS**

	<u>NPH USA</u>	<u>FWLEI</u>	<u>Eliminations</u>	<u>Consolidated</u>
Cash and cash equivalents	\$ 3,428,030	\$ 751,091	\$ -	\$ 4,179,121
Accounts receivable	-	16,460	(16,460)	-
Pledges receivable, net of allowance for uncollectible pledges of \$48,222	175,297	-	-	175,297
Prepaid expenses	87,335	-	-	87,335
Investments	276,773	12,390,084	-	12,666,857
Beneficial interest in perpetual trusts	2,803,116	-	-	2,803,116
Beneficial interest in land trust	37,500	-	-	37,500
Fixed assets, net	28,177	-	-	28,177
Other assets	33,135	-	-	33,135
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<b>\$ 6,869,363</b>	<b>\$ 13,157,635</b>	<b>\$ (16,460)</b>	<b>\$ 20,010,538</b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 330,790	\$ -	\$ -	\$ 330,790
Accrued expenses and other liabilities	400,927	-	-	400,927
Due to other organizations	18,493	-	(16,460)	2,033
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	750,210	-	(16,460)	733,750

**NET ASSETS**

Unrestricted net assets				
Undesignated for general activities	2,681,791	(295,522)	-	2,386,269
Designated by board of directors	136,957	-	-	136,957
Invested in furniture and equipment	28,177	-	-	28,177
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	2,846,925	(295,522)	-	2,551,403
Temporarily restricted net assets	469,112	3,211,786	-	3,680,898
Permanently restricted net assets	2,803,116	10,241,371	-	13,044,487
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total net assets	6,119,153	13,157,635	-	19,276,788

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,869,363</b>	<b>\$ 13,157,635</b>	<b>\$ (16,460)</b>	<b>\$ 20,010,538</b>
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**NPH USA AND AFFILIATE**  
**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**  
**December 31, 2012**

**ASSETS**

	<u>NPH USA</u>	<u>FWLEI</u>	<u>Eliminations</u>	<u>Consolidated</u>
Cash and cash equivalents	\$ 3,699,599	\$ 753,843	\$ -	\$ 4,453,442
Accounts receivable	11,718	116,606	(126,606)	1,718
Pledges receivable, net of allowance for uncollectible pledges of \$21,539	351,543	500	-	352,043
Prepaid expenses	79,495	30	-	79,525
Investments	363,109	10,750,393	-	11,113,502
Beneficial interest in perpetual trusts	2,638,866	-	-	2,638,866
Beneficial interest in land trust	37,500	-	-	37,500
Fixed assets, net	84,177	-	-	84,177
Other assets	33,135	2,535	-	35,670
<b>TOTAL ASSETS</b>	<u>\$ 7,299,142</u>	<u>\$ 11,623,907</u>	<u>\$ (126,606)</u>	<u>\$ 18,796,443</u>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>				
Accounts payable	\$ 998,370	\$ 10,000	\$ (10,000)	\$ 998,370
Accrued expenses and other liabilities	382,088	-	-	382,088
Due to other organizations	120,357	-	(116,606)	3,751
Total liabilities	<u>1,500,815</u>	<u>10,000</u>	<u>(126,606)</u>	<u>1,384,209</u>
<b>NET ASSETS</b>				
Unrestricted net assets				
Undesignated for general activities	2,146,349	(292,086)	-	1,854,263
Designated by board of directors	136,957	-	-	136,957
Invested in furniture and equipment	84,177	-	-	84,177
	2,367,483	(292,086)	-	2,075,397
Temporarily restricted net assets	791,978	2,058,214	-	2,850,192
Permanently restricted net assets	2,638,866	9,847,779	-	12,486,645
Total net assets	<u>5,798,327</u>	<u>11,613,907</u>	<u>-</u>	<u>17,412,234</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 7,299,142</u>	<u>\$ 11,623,907</u>	<u>\$ (126,606)</u>	<u>\$ 18,796,443</u>

**NPH USA AND AFFILIATE  
CONSOLIDATING SCHEDULE OF ACTIVITIES  
Year Ended December 31, 2013**

	<u>NPH USA</u>	<u>FWLEI</u>	<u>Eliminations</u>	<u>Total</u>
<b>UNRESTRICTED NET ASSETS</b>				
Support:				
Contributions	\$ 11,340,466	\$ -	(427,425)	\$ 10,913,041
Bequests	362,492	-	-	362,492
Donated services and materials	1,610,430	-	-	1,610,430
Special events	1,685,419	-	-	1,685,419
Revenue:				
Interest and dividends	6,855	4,625	-	11,480
Unrealized gain (loss)	(5,648)	38,422	-	32,774
Realized gain	-	8,365	-	8,365
Distributions from beneficial interest in trusts	91,241	-	-	91,241
Miscellaneous	28,652	-	-	28,652
Net assets released from restrictions	<u>322,866</u>	<u>417,426</u>	<u>-</u>	<u>740,292</u>
Total unrestricted support and revenue	<u>15,442,773</u>	<u>468,838</u>	<u>(427,425)</u>	<u>15,484,186</u>
Expenses:				
Program services	11,201,203	418,389	(417,425)	11,202,167
Management and general	1,335,452	53,885	(10,000)	1,379,337
Fundraising	<u>2,426,676</u>	<u>-</u>	<u>-</u>	<u>2,426,676</u>
Total expenses	<u>14,963,331</u>	<u>472,274</u>	<u>(427,425)</u>	<u>15,008,180</u>
Increase (decrease) in unrestricted net assets	<u>479,442</u>	<u>(3,436)</u>	<u>-</u>	<u>476,006</u>

	<u>NPH USA</u>	<u>FWLEI</u>	<u>Eliminations</u>	<u>Total</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>				
Revenue:				
Interest and dividends	-	175,617	-	175,617
Unrealized gain	-	1,152,454	-	1,152,454
Realized gain	-	242,927	-	242,927
Net assets released from restrictions	<u>(322,866)</u>	<u>(417,426)</u>	<u>-</u>	<u>(740,292)</u>
Increase (decrease) in temporarily restricted net assets	<u>(322,866)</u>	<u>1,153,572</u>	<u>-</u>	<u>830,706</u>
<b>PERMANENTLY RESTRICTED NET ASSETS</b>				
Support:				
Contributions	-	213,087	-	213,087
Revenue:				
Interest and dividends	-	68,309	-	68,309
Unrealized gain	-	85,604	-	85,604
Realized gain	-	26,592	-	26,592
Change in value of trusts	<u>164,250</u>	<u>-</u>	<u>-</u>	<u>164,250</u>
Increase in permanently restricted net assets	<u>164,250</u>	<u>393,592</u>	<u>-</u>	<u>557,842</u>
<b>CHANGE IN NET ASSETS</b>	320,826	1,543,728	-	1,864,554
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>5,798,327</u>	<u>11,613,907</u>	<u>-</u>	<u>17,412,234</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 6,119,153</u>	<u>\$ 13,157,635</u>	<u>\$ -</u>	<u>\$ 19,276,788</u>

**NPH USA AND AFFILIATE**  
**CONSOLIDATING SCHEDULE OF ACTIVITIES**  
Year Ended December 31, 2012

	<u>NPH USA</u>	<u>FWLEI</u>	<u>Eliminations</u>	<u>Total</u>
<b>UNRESTRICTED NET ASSETS</b>				
Support:				
Contributions	\$ 10,922,495	\$ -	(613,000)	\$ 10,309,495
Bequests	163,132	-	-	163,132
Donated services and materials	5,469,541	-	-	5,469,541
Special events	1,322,066	-	-	1,322,066
Revenue:				
Interest and dividends	8,032	4,158	-	12,190
Unrealized gain (loss)	(2,813)	8,019	-	5,206
Realized gain	-	11,334	-	11,334
Distributions from beneficial interest in trusts	100,621	-	-	100,621
Miscellaneous	44,239	-	-	44,239
Net assets released from restrictions	<u>94,921</u>	<u>603,000</u>	<u>-</u>	<u>697,921</u>
Total unrestricted support and revenue	<u>18,122,234</u>	<u>626,511</u>	<u>(613,000)</u>	<u>18,135,745</u>
Expenses:				
Program services	14,528,833	603,670	(603,000)	14,529,503
Management and general	1,105,324	38,897	(10,000)	1,134,221
Fundraising	<u>2,156,013</u>	<u>-</u>	<u>-</u>	<u>2,156,013</u>
Total expenses	<u>17,790,170</u>	<u>642,567</u>	<u>(613,000)</u>	<u>17,819,737</u>
Increase (decrease) in unrestricted net assets	<u>332,064</u>	<u>(16,056)</u>	<u>-</u>	<u>316,008</u>

	<u>NPH USA</u>	<u>FWLEI</u>	<u>Eliminations</u>	<u>Total</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>				
Revenue:				
Interest and dividends	-	149,838	-	149,838
Unrealized gain	-	288,969	-	288,969
Realized gain	-	408,431	-	408,431
Net assets released from restrictions	<u>(94,921)</u>	<u>(603,000)</u>	<u>-</u>	<u>(697,921)</u>
Increase (decrease) in temporarily restricted net assets	<u>(94,921)</u>	<u>244,238</u>	<u>-</u>	<u>149,317</u>
<b>PERMANENTLY RESTRICTED NET ASSETS</b>				
Support:				
Contributions	-	203,860	-	203,860
Revenue:				
Interest and dividends	-	52,173	-	52,173
Unrealized gain	-	134,470	-	134,470
Realized gain	-	94,076	-	94,076
Change in value of trusts	<u>121,373</u>	<u>-</u>	<u>-</u>	<u>121,373</u>
Increase in permanently restricted net assets	<u>121,373</u>	<u>484,579</u>	<u>-</u>	<u>605,952</u>
<b>CHANGE IN NET ASSETS</b>	358,516	712,761	-	1,071,277
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>5,439,811</u>	<u>10,901,146</u>	<u>-</u>	<u>16,340,957</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 5,798,327</u>	<u>\$ 11,613,907</u>	<u>\$ -</u>	<u>\$ 17,412,234</u>