NURSE-FAMILY PARTNERSHIP FINANCIAL STATEMENTS September 30, 2006 and 2005

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Nurse-Family Partnership Board of Directors Denver, Colorado

Independent Auditors' Report

We have audited the accompanying statement of financial position of Nurse-Family Partnership as of September 30, 2006 and 2005, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Nurse-Family Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 Nurse-Family Partnership as of September 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2006 on our consideration of Nurse-Family Partnership's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



Nurse-Family Partnership Board of Directors Denver, Colorado Page 2

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise Nurse-Family Partnership's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

December 18, 2006

STATEMENT OF FINANCIAL POSITION

September 30, 2006 and 2005

<u>ASSETS</u>	2006	2005
CURRENT ASSETS Cash (Note 2) Accounts Receivable, Net of Allowance for Doubtful Prepaid Expenses Other Assets	\$ 543,666 809,647 20,010 500	\$ 1,328,209 1,059,061 36,503 500
Total Current Assets	1,373,823	2,424,273
PROPERTY AND EQUIPMENT, Net (Note 4)	148,838	112,390
OTHER ASSETS Cash - Restricted (Note 3) Total Assets	272,009 1,794,670	2,250,060 4,786,723
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES Accounts Payable Accrued Payroll Accrued Expenses Deferred Revenues	100,690 240,753 289,597 668,249	129,776 144,116 200,000 473,646
Total Liabilities	1,299,289	947,538
NET ASSETS Temporarily Restricted Unrestricted Total Net Assets	516,174 (20,793) 495,381	3,032,364 806,821 3,839,185
Total Liabilities and Net Assets	\$ 1,794,670	\$ 4,786,723

STATEMENT OF ACTIVITIES

	U	nrestricted	7	Cemporarily Restricted	Totals
REVENUES, GAINS AND OTHER SUPPORT					
Public Support					
Contributions - Foundations	\$	123,111	\$		\$ 123,111
Contributions - Federal and States		646,779			646,779
Contributions - Individuals		96,265			96,265
Non-Site Revenues		9			9
Site Revenues		1,320,161			1,320,161
Interest and Dividend Income		48,119		16,165	64,284
Net Assets Released from Restriction		2,532,355		(2,532,355)	
Total Revenues, Gains and Other Support		4,766,799	***************************************	(2,516,190)	 2,250,609
EXPENSES					
Program Operating Expense Supporting Services:		4,382,986			4,382,986
General and Administrative		980,330			980,330
Fund-raising and Other	•	231,097			 231,097
Total Expenses		5,594,413			 5,594,413
CHANGE IN NET ASSETS		(827,614)		(2,516,190)	(3,343,804)
NET ASSETS, Beginning of Year	***************************************	806,821		3,032,364	 3,839,185
NET ASSETS, End of Year	\$	(20,793)	\$	516,174	\$ 495,381

STATEMENT OF ACTIVITIES

	<u>U</u>	nrestricted		emporarily Restricted		Totals
REVENUES, GAINS AND OTHER SUPPORT						
Public Support						
Contributions - Foundations	\$	1,346,696	\$	3,032,304	\$	4,379,000
Contributions - Federal and States		108,218				108,218
Contributions - Individuals		9,589				9,589
Non-Site Revenues		1,000				1,000
Site Revenues		1,051,369				1,051,369
Interest and Dividend Income		13,225		60		13,285
Net Assets Released from Restriction						
Total Revenues, Gains and Other Support		2,530,097		3,032,364		5,562,461
EXPENSES						
Program Operating Expense		2,302,341				2,302,341
Supporting Services:						
General and Administrative		401,743				401,743
Fund-raising and Other		457,898				457,898
Total Expenses		3,161,982			•	3,161,982
CHANGE IN NET ASSETS		(631,885)		3,032,364		2,400,479
NET ASSETS, Beginning of Year		1,438,706				1,438,706
NET ASSETS, End of Year	\$	806,821	\$	3,032,364	\$	3,839,185

STATEMENT OF CASH FLOWS

For the Years Ended September 30, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES: Cash Received From Contributors and Fund-raising	\$ 2,619,466	\$ 4,963,761
Cash Paid to Employees	(2,837,127)	
Cash Paid to Suppliers	(2,535,554)	
Interest and Dividends Received	64,284	13,285
Net Cash Provided by (Used in) Operating Activities	(2,688,931)	2,240,818
CASH FLOWS FROM INVESTING ACTIVITIES: Acquisition of Property and Equipment	(73,663)	(85,844)
Net Cash Used in Investing Activities	(73,663)	
Increase (Decrease) in Cash and Cash Equivalents	(2,762,594)	
CASH AND CASH EQUIVALENTS, Beginning of Year	3,578,269	1,423,295
CASH AND CASH EQUIVALENTS, End of Year	815,675	3,578,269
RECONCILIATION OF CHANGES IN NET ASSETS TO CHANGES IN NET ASSETS PROVIDED BY (USED IN) OPERATING ACTIVITIES:	(2.242.004)	2 400 470
Change in Net Assets Adjustments to Reconcile Net Assets to Net Cash Provided by (Used In) Operating Activities	(3,343,804)	2,400,479
Depreciation	32,013	18,516
Bad Debt Expenses	10,876	
Loss on Disposal Property and Equipment	5,202	
Changes in Assets and Liabilities: Increase (Decrease) in Accounts Receivable	238,538	(1,059,061)
Increase in Deferred Revenues	194,603	473,646
(Increase) Decrease in Prepaid Expenses	16,493	(10,358)
Increase (Decrease) in Accounts Payable	(29,086)	• • •
Increase in Accrued Payroll	96,637	124,148
Increase in Accrued Expenses	89,597	199,250
Net Cash Provided By (Used In) Operating Activities	(2,688,931)	2,240,818
CASH AND CASH EQUIVALENTS:		
Cash	543,666	1,328,209
Cash - Restricted	272,009	2,250,060
Total Cash and Cash Equivalents	\$ 815,675	\$ 3,578,269

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

STATEMENT OF FUNCTIONAL EXPENSES

					Supportir	Supporting Services				
		Program	Managen	Management and General	Fund-raising and Other	g and Other	Total Suppo	Total Supporting Services		Totals
EXPENSES:										
Payroll	69	2,064,720	se.	679,654	64)	189,390	59	869,044	↔	2,933,764
Consulting		1,628,096		29,851		9,140		38,991		1,667,087
Travel		162,175		55,550		8,150		63,700		225,875
Rent		111,380		31,836		8,902		40,738		152,118
Professional Services		40,237		79,080		2,761		81,841		122,078
Events		97,326		4,834		7		4,841		102,167
Printing		71,798		2,525		229		3,202		75,000
Telephone		46,927		11,842		3,611		15,453		62,380
Depreciation		21,427		8,871		1,715		10,586		32,013
Equipment Rental and Maintenance		23,935		5,812		1,618		7,430		31,365
Office Supplies		23,625		5,238		904		6,142		29,767
Accounting				26,124				26,124		26,124
Postage		19,579		2,945		526		3,471		23,050
Client Services		21,387								21,387
Miscellaneous		2,926		15,890		76		15,987		18,913
Advertising		14,545		306		2,002		2,308		16,853
Dues and Subscriptions		12,003		993		524		1,517		13,520
Legal		166		10,758				10,758		10,924
Bad Debt		7,997		2,239		640		2,879		10,876
Staff Development		10,373		33		244		247		10,620
Insurance		2,364		5,979	A STATE OF THE STA	189		6,168		8,532
Total	↔	4,382,986	↔	980,330	\$	231,097	\$	1,211,427	6	5,594,413

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

STATEMENT OF FUNCTIONAL EXPENSES

					Supporting Services	ses			
		Program	Managemen	Management and General	Fund-raising and Other	her	Total Supporting Services	S	Totals
EXPENSES:				The same statement of					
Payroll	\$	1,534,060	∨	285,346	\$	199,843	\$ 485,189	\$ 6	2,019,249
Consulting		103,571		12,580	45,	45,921	58,501	_	162,072
Travel		99,192		24,342	31,	31,242	55,584	4	154,776
Rent		78,597		17,401	∞ Š	8,018	25,419	6	104,016
Professional Services		216,362		26,279	95.	95,930	122,209	6	338,571
Events		65,188		3,025	က်	3,667	6,692	2	71,880
Printing		27,559		4,869	κñ.	3,805	8,674	4	36,233
Telephone		48,213		8,518	9	6,657	15,175	5	63,388
Depreciation		9,307		1,177	8	8,032	9,209	6	18,516
Equipment Rental and Maintenance		22,392		3,956	8	3,092	7,048	∞	29,440
Office Supplies		23,076		4,077	8	3,186	7,263	33	30,339
Accounting		7,669		931	8	3,400	4,331	1	12,000
Postage		15,328		2,708	6	2,117	4,825	S	20,153
Client Services		11,598		1,467	10	10,009	11,476	9	23,074
Miscellaneous		6,975		882	9	6,019	6,901		13,876
Advertising		14,736		1,865	12	12,717	14,582	2	29,318
Dues and Subscriptions		4,889		618	4	4,219	4,837	7	9,726
Legal		4,140		503	_	1,835	2,338	∞	6,478
Staff Development		6,430		813	Š	5,549	6,362	2	12,792
Insurance		3,059		386	2	2,640	3,026	9	6,085
Total	જ	2,302,341	\$	401,743	\$ 457	457,898	\$ 859,641	- -	3,161,982

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

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2006 and 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nurse-Family Partnership (Organization) was established in September of 2003 and began operations in October of 2003. Nurse-Family Partnership is an evidence-based nurse home visitation program that serves low-income, first-time mothers and their children. These mothers and their newborns face significant long-term and short-term risks to their health, personal development and economic well-being. Through regular visits with specially trained registered nurses, the Program helps mothers during their pregnancies and the first two years of the first child's life. Using the Program visit guidelines, nurses help develop behaviors that yield better pregnancies, become better parents to have emotionally and physically healthier children and gain greater economic self-sufficiency. Nurse-Family Partnership receives funding from a private foundation and charges for services.

The Organization reports in accordance with the American Institute of Certified Public Accountants industry audit and accounting guide, *Not-for-Profit Organizations*.

The accompanying financial statements are presented in accordance with Statements of Financial Accounting Standards No. 116, Accounting for Contributions Received and Contributions Made (SFAS No. 116) and No. 117, Financial Statements of Not-for-Profit Organizations (SFAS No. 117). SFAS No. 116 generally requires contributions received or made, including unconditional promises to give, to be recognized in the period received or made, respectively, at fair value. SFAS No. 117 defines not-for-profit financial statement presentation, requires the presentation of a statement of cash flows, and requires that amounts be classified based on the presence or absence of donor-imposed restrictions.

Under SFAS No. 117, the financial statements report amounts separately by class of net assets:

Unrestricted Net Assets - amounts currently available for use in the Organization's operations and those resources invested in property and equipment.

Temporarily Restricted Net Assets - amounts stipulated by donors for specific operating purposes or future periods.

NOTES TO THE FINANCIAL STATEMENTS (Continued) September 30, 2006 and 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanently Restricted Net Assets - amounts stipulated by donors to be maintained in perpetuity.

On September 30, 2006 and 2005, the Organization has temporarily restricted net assets of \$516,174 and \$3,032,364, respectively. The restrictions are for pledges receivable in future years. The Organization has no permanently restricted net assets as of September 30, 2006 and 2005.

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited.

The preparation of the Organization's financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization's management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash.

The Organization's cash is in demand deposit accounts placed with a major financial institution. Such deposit accounts, at times, may exceed federally insured limits.

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Property and equipment are stated at cost. Depreciation is computed over the estimated useful lives of the assets (5 years) using the straight-line method. All assets with a useful life of 1 year and costing more than \$500 are capitalized.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued) September 30, 2006 and 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Conditional promises to give cash or other assets are recognized as contribution revenues and receivables when the conditions are substantially met.

On September 30, 2006 and 2005, the Organization had \$4,750,000 in conditional promises from the Edna McConnell Clark Foundation. As of September 30, 2006 and 2005, the conditions have not been substantially met.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor 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. All temporarily restricted net assets in which restrictions are met in the same year as receipt are classified as unrestricted net assets.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

All advertising costs are expensed as incurred.

Fund-raising revenues are recognized as commitments when received or upon completion of the specified fund-raising event when the amount can be more reasonably estimated, whichever is more appropriate. The net proceeds related to such events are recorded when the event is complete, and the net proceeds can be reasonably estimated.

Other revenues are recognized when earned.

Volunteers from the community have donated a significant number of hours in assisting the Organization. The value of this contributed time is not reflected in the accompanying financial statements, in as much as no objective basis is available to measure the value of such services.

Management has provided an allowance for doubtful accounts for the accounts receivable outstanding based upon its estimate of potential losses.

NOTES TO THE FINANCIAL STATEMENTS (Continued) September 30, 2006 and 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization has initially been determined exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes is included in the accompanying financial statements. The advance ruling period for the Organization began on September 15, 2003 and will continue until September 15, 2007. At this point, the Organization is not considered a private foundation.

NOTE 2: CASH AND INVESTMENTS

The Organization maintains cash accounts in commercial banks. These accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. For the year ended September 30, 2006 and 2005, the Organization had bank balances of \$732,837and \$3,412,238 respectively on deposit in excess of FDIC limits.

NOTE 3: RESTRICTED CASH

A donor stipulated fund has been established pursuant to a performance agreement between the Organization and Edna McConnell Clark Foundation (Clark Foundation). The fund is to be maintained in a separate account and may not be used until the Organization agrees on performance milestones for the Organization for fiscal year 2006 and projects end-of-investment results for the period ending September 30, 2008. The balance of these accounts is \$2,250,060 as of September 30, 2005. On February 1, 2006, the Clark Foundation authorized the Organization to release this temporarily restricted account.

The Organization entered into a contribution agreement with Doris Duke Foundation dated December 6, 2004 to provide a three-year grant in the amount of \$978,000 for the expansion of nurse home visiting services. The restrictions are for pledges receivable in future years. As of September 30, 2006, this restricted cash balance for the Organization is \$272,009.

NOTES TO THE FINANCIAL STATEMENTS (Continued) September 30, 2006 and 2005

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

Property and equipment at September 30, 2006 is comprised of the following:

By Classification:	9/30/2005	Additions	Deletions	9/30/2006
Leasehold Improvements	\$ 16,052	\$	\$	\$ 16,052
Furniture and Fixtures	99,458	53,421	(9,175)	143,704
Software	21,812	20,242		42,054
Total	137,322	73,663	(9,175)	201,810
Accumulated Depreciation	(24,932)	(32,013)	3,973	(52,972)
Net	\$ 112,390	\$ 41,650	\$ (5,202)	\$ 148,838

Depreciation expenses as of September 30, 2006 are \$32,013.

Property and equipment at September 30, 2005 is compromised of the following:

By Classification:	9/30/2004	Additions	Deletions	9/30/2005
Leasehold Improvements	\$	\$ 16,052	\$	\$ 16,052
Furniture and Fixtures	31,819	67,639		99,458
Software	19,659	2,153		21,812
Total	51,478	85,844		137,322
Accumulated Depreciation	(6,416)	(18,516)		(24,932)
Net	\$ 45,062	\$ 67,328	\$	\$ 112,390

Depreciation expenses as of September 30, 2005 are \$18,516.

NOTE 5: CONCENTRATION

In 2006 and 2005, the Organization received $0\,\%$ and $58\,\%$ of its revenue from one private foundation, respectively.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

September 30, 2006 and 2005

NOTE 6: AFFILIATE ORGANIZATION

In 2003, Nurse-Family Partnership was created to disseminate and replicate nationally the clinically-proven nurse home visiting program. This program was created by Professor David Olds at the Prevention Research Center for Family and Child Health (PRC) located within the University of Colorado Health Sciences Center, and was being replicated nationally by staff within PRC and the University's National Center for Children, Families, and Communities. A Memorandum of Understanding (MOU) dated March 31, 2004, between Nurse-Family Partnership and the University of Colorado Health Sciences Center provides that responsibility for national replication and the associated University employees move to Nurse-Family Partnership on November 1, 2004.

The Memorandum of Understanding also provides for an ongoing, close working relationship between the parties and provides that no more than 30% of Nurse-Family Partnership Board members may be University employees.

During 2006, all of the Organization receivables and other financial assets remaining of approximately \$224,432 at the University under the MOU were transferred to the Organization.

NOTE 7: RELATED PARTY TRANSACTONS

Invest In Kids (IIK), an affiliate of the Organization by virtue of a shared board member, performs certain clinical consultation and program management functions on behalf of the Organization in the state of Colorado.

During 2006, the Organization reached an agreement in principle with IIK under which the Organization would share 25% of the Technical Assistance revenue that the Organization earns from Colorado sites with IIK. For the year ended September 30, 2006 and 2005, the amount shared with IIK was \$34,224 and \$0 which was recorded as accounts payable, respectively.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

September 30, 2006 and 2005

NOTE 8: RETIREMENT PLAN

The Organization participates in a 401(k) plan through its Professional Employer Organization Relationship with ADP covering all employees who have completed 3 months of service and had attained age 21. The employer contributes 10% of employees' compensation. For the year ended September 30, 2006 and 2005, pension fund contribution is \$202,336 and \$122,416, respectively.

NOTE 9: LEASES

The Organization has an operating lease for an office in Denver, Colorado. The terms of the lease began May 1, 2005 and end May 31, 2010. The following is the minimum future operating lease payments:

Year Ending	Amount
September 30, 2007	\$154,113
September 30, 2008	159,032
September 30, 2009	163,950
September 30, 2010	111,485
Total	\$ 588,580

The lease payments for the year ending September 30, 2006 and 2005 amounted to \$149,195 and \$104,016, respectively.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Agency/Pass-Through Grantor Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services Passed Through Programs from		
Center of Disease Control and Prevention	93.136	\$ 67,682
Prental Care Service Title XIX	93.778	67,673
Office of Mental and Child Health	93.XXX	211,947
Child Care and Development Block Grant	93.575	460,042
Total		\$ 807,344

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2006

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in the accompanying financial statements.



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Board of Directors Nurse-Family Partnership Denver, Colorado

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

We have audited the financial statements of Nurse-Family Partnership (Organization) as of and for the year ended September 30, 2006, and have issued our report thereon dated December 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to the management of the Organization in a separate letter also dated December 18, 2006.



Board of Directors Nurse-Family Partnership Denver, Colorado

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the Organization, the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

December 18, 2006

Pordi & Co. uc



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Board of Directors Nurse-Family Partnership Denver, Colorado

Report on Compliance with Requirements Applicable to Each

Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of Nurse-Family Partnership (Organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended September 30, 2006. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, Nurse-Family Partnership complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2006.



Board of Directors Nurse-Family Partnership Denver, Colorado

Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the Organization, the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

December 18, 2006

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