

NURSE-FAMILY PARTNERSHIP

FINANCIAL STATEMENTS

September 30, 2009 and 2008

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**Board of Directors
Nurse-Family Partnership
Denver, Colorado**

Independent Auditors' Report

We have audited the accompanying statement of financial position of Nurse-Family Partnership (Organization) as of September 30, 2009 and 2008, and the related statements of activities, cash flows and functional expenses for the years 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.

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. 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 our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of September 30, 2009 and 2008, 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 21, 2009, on our consideration of the Organization'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
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Our audit was performed for the purpose of forming an opinion on the financial statements that comprise the Organization's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This schedule 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 21, 2009

Bondi & Co. LLC
BONDI & Co. LLC

NURSE-FAMILY PARTNERSHIP

STATEMENT OF FINANCIAL POSITION

September 30, 2009 and 2008

	2009	2008
ASSETS		
Current Assets		
Cash & Cash Equivalents (Note 2)	\$ 10,215,414	\$ 9,331,846
Accounts Receivable - Sites (Note 4)	200,119	497,108
Accounts Receivable - Grants (Note 4)	13,703,608	8,995,390
Short-term Investments (Note 2)	666,711	-
Prepaid Expenses	139,049	86,146
Other Current Assets	500	500
Total Current Assets	24,925,401	18,910,990
Property & Equipment, Net (Note 5)	479,100	746,369
Long-Term Investments (Note 2)	2,579,705	-
Cash - Restricted (Notes 2 and 3)	579,650	1,210,500
Total ASSETS	28,563,856	20,867,859
 LIABILITIES & NET ASSETS		
Current Liabilities		
Accounts Payable	323,284	727,806
Accrued Payroll	545,638	463,777
Accrued Expenses	522,849	159,296
Deferred Revenue	1,279,310	704,472
Total Current Liabilities	2,671,081	2,055,351
Net Assets		
Temporarily Restricted	505,543	1,939,564
Unrestricted	25,387,232	16,872,944
Total Net Assets	25,892,775	18,812,508
Total LIABILITIES & NET ASSETS	\$ 28,563,856	\$ 20,867,859

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

NURSE-FAMILY PARTNERSHIP

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2009

	Unrestricted	Temporarily Restricted	Totals
REVENUES, GAINS AND OTHER SUPPORT			
Public Support			
Contributions - Foundations	\$ 11,808,199	\$ 400,000	\$ 12,208,199
Contributions - Federal and States	30,570	571,088	601,658
Contributions - Individuals	1,934,206	38,000	1,972,206
Contributions - In-kind	34,973		34,973
Non-Site Revenues	165		165
Site Revenues	2,773,967		2,773,967
Interest and Dividend Income	42,193	833	43,026
Net Assets Released from Restriction	2,443,942	(2,443,942)	-
Total Revenues, Gains and Other Support	19,068,215	(1,434,021)	17,634,194
EXPENSES			
Program Operating Expense	8,744,901		8,744,901
Supporting Services:			
General and Administrative	1,531,141		1,531,141
Fund-raising and Other	277,885		277,885
Total Expenses	10,553,927		10,553,927
CHANGE IN NET ASSETS	8,514,288	(1,434,021)	7,080,267
NET ASSETS, Beginning of Year	16,872,944	1,939,564	18,812,508
NET ASSETS, End of Year	\$ 25,387,232	\$ 505,543	\$ 25,892,775

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

NURSE-FAMILY PARTNERSHIP

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2008

	Unrestricted	Temporarily Restricted	Totals
REVENUES, GAINS AND OTHER SUPPORT			
Public Support			
Contributions - Foundations	\$ 17,786,574	\$ 545,237	\$ 18,331,811
Contributions - Federal and States	686,839		686,839
Contributions - Individuals	81,739		81,739
Contributions - In-kind	12,782		12,782
Non-Site Revenues	1,358		1,358
Site Revenues	2,425,209		2,425,209
Interest and Dividend Income	208,639	8,246	216,885
Net Assets Released from Restriction	1,139,645	(1,139,645)	-
Total Revenues, Gains and Other Support	22,342,785	(586,162)	21,756,623
EXPENSES			
Program Operating Expense	7,655,953		7,655,953
Supporting Services:			
General and Administrative	1,408,212		1,408,212
Fund-raising and Other	331,646		331,646
Total Expenses	9,395,811		9,395,811
CHANGE IN NET ASSETS	12,946,974	(586,162)	12,360,812
NET ASSETS, Beginning of Year	3,925,970	2,525,726	6,451,696
NET ASSETS, End of Year	\$ 16,872,944	\$ 1,939,564	\$ 18,812,508

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

NURSE-FAMILY PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received From Contributors and Fund-raising	\$ 13,754,775	\$ 18,366,528
Cash Paid to Employees	(5,767,412)	(4,411,174)
Cash Paid to Suppliers	(4,443,414)	(4,200,035)
Interest and Dividends Received	43,026	216,885
	<u>3,586,975</u>	<u>9,972,204</u>
Net Cash Provided by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of Property and Equipment	(87,841)	(543,626)
Increase in Short-term Investments	(666,711)	-
Increase in Long-term Investments	(2,579,705)	-
	<u>(3,334,257)</u>	<u>(543,626)</u>
Net Cash Used in Investing Activities		
Increase in Cash and Cash Equivalents	252,718	9,428,578
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>10,542,346</u>	<u>1,113,768</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>10,795,064</u></u>	<u><u>10,542,346</u></u>
CASH AND CASH EQUIVALENTS:		
Cash	10,215,414	9,331,846
Cash - Restricted	579,650	1,210,500
Total Cash and Cash Equivalents	<u><u>10,795,064</u></u>	<u><u>10,542,346</u></u>
RECONCILIATION OF CHANGES IN NET ASSETS TO CHANGES IN NET ASSETS PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Change in Net Assets	7,080,267	12,360,812
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities		
Depreciation	187,668	126,042
Bad Debt Expenses	1	55
Loss on Disposal Property and Equipment	167,441	8,898
Changes in Assets and Liabilities:		
Increase in Accounts Receivable	(4,411,229)	(3,136,495)
Increase (Decrease) in Deferred Revenues	574,838	(36,718)
Increase in Prepaid Expenses	(52,903)	(9,342)
Increase (Decrease) in Accounts Payable	(404,524)	376,048
Increase in Accrued Payroll	81,862	278,519
Increase in Accrued Expenses	363,554	4,385
Net Cash Provided By Operating Activities	<u><u>\$ 3,586,975</u></u>	<u><u>\$ 9,972,204</u></u>

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

NURSE-FAMILY PARTNERSHIP

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2009

Description EXPENSES	Supporting Services				Totals
	Program	Management and General	Fundraising and Other	Total Supporting Services	
Payroll and Benefits	\$ 4,651,349	\$ 1,049,229	\$ 176,605	\$ 1,225,834	\$ 5,877,183
Outsourced Program Support	1,463,509	8,435	1,208	9,643	1,473,152
Travel	441,695	50,151	6,834	56,985	498,680
Consultants	606,943	41,704	47,373	89,077	696,020
Advertising & Marketing	269,718	-	2,036	2,036	271,754
Training & Other Events	211,767	75,085	4,841	79,926	291,693
Rent & Occupancy	198,403	35,068	6,876	41,944	240,347
Printing & Copying	226,181	2,948	682	3,630	229,811
Depreciation Expense	151,781	30,004	5,883	35,887	187,668
Professional Services	92,094	48,518	2,668	51,186	143,280
Telephone	132,814	27,947	4,881	32,828	165,642
Other Expenses	141,364	87,794	6,584	94,378	235,742
Office Supplies & Expenses	32,754	4,695	686	5,381	38,135
Dues & Subscriptions	32,868	2,661	8,082	10,743	43,611
Postage & Shipping	35,347	3,030	336	3,366	38,713
Equipment Rental & Maintenance	13,122	2,456	482	2,938	16,060
Staff Development	20,786	50,802	1,605	52,407	73,193
Legal	-	8,696	-	8,696	8,696
Client Services	16,658	-	-	-	16,658
Insurance	5,748	1,917	223	2,140	7,888
Bad Debts	-	1	-	1	-
Total	\$ 8,744,901	\$ 1,531,141	\$ 277,885	\$ 1,809,026	\$ 10,553,927

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

NURSE-FAMILY PARTNERSHIP

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2008

Description	Program	Supporting Services			Totals
		Management and General	Fundraising and Other	Total Supporting Services	
EXPENSES					
Payroll and Benefits	\$ 3,472,312	\$ 975,083	\$ 242,298	\$ 1,217,381	\$ 4,689,693
Outsourced Program Support	1,849,007	16,058	4,189	20,247	1,869,254
Travel	448,391	58,497	13,696	72,193	520,584
Consultants	418,361	33,420	4,631	38,051	456,412
Advertising & Marketing	369,769	6,356	20,000	26,356	396,125
Training & Other Events	204,850	73,473	5,321	78,794	283,644
Rent & Occupancy	190,018	44,397	11,545	55,942	245,960
Printing & Copying	219,066	7,009	1,353	8,362	227,428
Depreciation Expense	97,430	22,692	5,920	28,612	126,042
Professional Services	65,703	39,792	3,581	43,373	109,076
Telephone	79,050	20,475	4,500	24,975	104,025
Other Expenses	47,157	48,186	3,712	51,898	99,055
Office Supplies & Expenses	61,708	21,349	2,433	23,782	85,490
Dues & Subscriptions	47,595	2,513	4,302	6,815	54,410
Postage & Shipping	30,693	5,054	1,354	6,408	37,101
Equipment Rental & Maintenance	24,267	5,603	1,462	7,065	31,332
Staff Development	20,357	5,105	1,187	6,292	26,649
Legal	-	19,617	-	19,617	19,617
Client Services	7,526	-	-	-	7,526
Insurance	2,693	3,478	162	3,640	6,333
Bad Debts	-	55	-	55	55
Total	\$ 7,655,953	\$ 1,408,212	\$ 331,646	\$ 1,739,858	\$ 9,395,811

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

NURSE-FAMILY PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009 and 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nurse-Family Partnership (Organization) was established in September of 2003 and began operations in October of 2003. The Organization 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 Organization helps mothers during their pregnancies and the first two years of the first child's life. Using the Organization's visitation guidelines, nurses help develop behaviors that yield better pregnancies and better parents to have emotionally and physically healthier children and gain greater economic self-sufficiency. The Organization receives funding from private foundations, federal and state grants, other public support, and charges fees for educational and technical assistance services provided to implementing agencies. There are no fees charged at any time to the enrolled clients.

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), No. 117, *Financial Statements of Not-for-Profit Organizations* (SFAS No. 117 and the revised 117a), and No. 136, *Transfers of Assets to Not-for-Profit Organizations* (SFAS No. 136). 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. SFAS No. 136 generally requires that assets transfers that are for the benefit of designated beneficiaries where the organization acts as a conduit for the asset transfer be recognized as a liability as opposed to revenue.

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.

NURSE-FAMILY PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009 and 2008

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

On September 30, 2009 and 2008, the Organization has temporarily restricted net assets of \$505,543 and \$1,939,564 respectively. The restrictions are for various specific uses, all of which are part of the Nurse-Family Partnership mission. The Organization had no permanently restricted net assets as of September 30, 2009 and 2008.

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

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, short term government securities such as Treasury bills, Certificates of Deposit (CDs) and corporate bonds. The CDs are fully covered by FDIC insurance.

The Organization's operating 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 (4 - 10 years) using the straight-line method. All assets over \$500 acquisition value and with a useful life of over one year are capitalized. Software development costs are capitalized in accordance with Statement of Position 98-1 (SOP 98-1) *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*.

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

NURSE-FAMILY PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009 and 2008

Conditional pledges to give cash or other assets are recognized as contribution revenues and receivables when the conditions are substantially met. The normal conditions are the achievement of our growth plans for the Nurse-Family Partnership program. These growth metrics are tracked quarterly, so we would only be able to recognize conditional pledges that are based upon quarters already completed. If the conditional requirements have been met through the growth metrics, then the pledge is recognized as revenue on the accrual basis.

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 gifts containing restrictions that are met in the year of receipt are classified as unrestricted.

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 may have donated an insignificant number of hours in assisting the Organization. The value of this contributed time is not reflected in the accompanying financial statements as the effect would be clearly immaterial.

Management has analyzed the need for an allowance for doubtful accounts for the accounts receivable outstanding. Based upon history and the year end accounts receivable, management does not believe that an allowance is necessary.

The Organization has been determined exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC); accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization received a final approval as a public charity under Section 501 (c) (3) of the IRC in December of 2007.

NURSE-FAMILY PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009 and 2008

NOTE 2: CASH AND INVESTMENTS

The Organization maintains cash accounts in commercial banks and money market funds. The Organization also holds various investments comprised of Treasury Bills, CDs, and corporate bonds. Detail as follows:

<u>Security</u>	<u>2009</u>	<u>2008</u>
Cash	\$ 217,700	\$ 269,273
Money Market	404,619	9,435
Certificates of Deposit	1,146,251	-
Corporate Bonds	2,103,870	-
Treasury Bills	<u>10,169,038</u>	<u>10,263,638</u>
Total	<u>\$ 14,041,478</u>	<u>\$ 10,542,346</u>
Cash	\$ 10,215,414	\$ 9,331,846
Short term Investments	666,711	-
Long term Investments	2,579,705	-
Restricted Cash	<u>579,650</u>	<u>1,210,500</u>
Total	<u>\$ 14,041,478</u>	<u>\$ 10,542,346</u>

Operating cash, money market deposits, and the Treasury Bills are classified as cash and cash equivalents. The Treasury Bills are all 90 day instruments with maturities of 90 days or less.

The CDs are in various banks so that all amounts are covered by FDIC insurance. All CDs had an initial maturity date greater than three months. Those CDs that mature within the next twelve months are classified as short-term investments. All CDs that do not mature within the next twelve months are classified as long-term investments.

The corporate bonds were purchased on September 29, 2009, and settled on October 2, 2009. All the bonds are of investment grade quality with maturities ranging from 1.5 to 2.5 years, and are thus classified as long-term investments.

NURSE-FAMILY PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009 and 2008

Per Statement of Financial Accounting Standard No. 157 *Fair Value Measurement (SFAS No. 157)*, all cash and cash equivalents, short-term investments and long-term investments were valued using Level One inputs. The following details each major category of investments and the related fair value as of September 30, 2009:

<u>Security</u>	<u>Market Value</u> <u>2009</u>	<u>Fair Value Measurements</u> <u>Using Quoted Prices in Active</u> <u>Markets for Identical Assets</u> <u>(Level 1 Assets)</u> <u>2009</u>
Cash	\$ 217,700	\$ 217,700
Money Market	404,619	404,619
Certificates of Deposit	1,146,251	1,146,251
Corporate Bonds	2,103,870	2,103,870
Treasury Bills	10,169,038	10,169,038
Total	\$ 14,041,478	\$ 14,041,478

NOTE 3: RESTRICTED CASH

The Organization has received various grants that place temporary restrictions on the use of the cash. Restricted cash was comprised of the following items:

<u>Donor</u>	<u>2009</u>	<u>2008</u>
Kellogg Foundation	\$ 123,751	\$ 639,895
Kellogg Foundation - Michigan	359,747	-
Hearst Foundation	63,559	-
Medimmune Visit - Premies	10,000	-
Fox Family Foundation	10,000	25,000
John & Dorothy Castle Fund	7,500	-
J Hagedorn	-	250,000
PA State Grant DPW	-	115,303
NDCS - CSC	-	83,333
Picower	-	80,336
Other	5,092	16,633
Total Restricted Cash	\$ 579,650	\$ 1,210,500

NURSE-FAMILY PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS

September 30, 2009 and 2008

The Organization entered into a grant agreement with the W.K. Kellogg Foundation to replicate the Nurse-Family Partnership program. This grant supported a variety of program activities. A subsequent grant from the Kellogg Foundation was designated for the exclusive support of the Michigan Implementing Agencies.

The Organization entered into a grant agreement with the Hearst Foundation to support nurse consulting exclusively within Washington State.

The Organization entered into a grant agreement with Medimmune for the development and inclusion of educational materials regarding the prevention and treatment of premature births.

The Organization entered into a 2009 grant agreement with the Fox Family Fund to fund development and enhancement to the Nurse-Family Partnership website. The Organization entered into a 2008 grant agreement with the Fox Family Fund to engage in diversity and inclusiveness training.

The Organization entered into a grant agreement with the John & Dorothy Castle Fund to support a meeting of the Texas state personnel involved with delivering and supporting the Nurse-Family Partnership in Texas.

The Organization entered into a matching grant agreement from J Hagedorn to fund the development of a new clinical information system (CIS). These funds have been fully expended.

The Organization entered into a grant agreement with the State of Pennsylvania Department of Public Welfare, Office of Child Development to implement the Nurse-Family Partnership Program in Pennsylvania. The grant was re-authorized through June 30, 2010, but has not yet been funded, and thus there are no funds on hand (see Note 4 for additional information).

The Organization entered into grant agreements with the Picower Foundation (Picower) and Children's Service Council of Palm Beach County (NDCS-CSC), respectively to develop the CIS. These funds have been fully expended.

The Organization entered into a grant agreement with Picower to revise the Nurse-Family Partnership Visit Guidelines. These funds have been fully expended.

Other grant agreements are comprised primarily of the Virginia Hill and Norma Johnson Funds which are used to assist enrolled clients with necessary infant care items and educational opportunities.

NURSE-FAMILY PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009 and 2008

NOTE 4: ACCOUNTS RECEIVABLE

Accounts Receivable - Grants is comprised of both unconditional pledges and conditional pledges if the conditions have been met. As well, the Organization must believe that the donor has the financial wherewithal and intent to fund the pledge. Any multi-year pledges are shown at their net amount; adjusted to its present value at a discount rate of 5%. Detail as follows:

<u>Accounts Receivable - Grants</u>	<u>2009</u>	<u>2008</u>
Edna McConnell Clark Foundation	\$ 4,000,000	\$ 4,000,000
Bill and Melinda Gates Foundation	3,300,000	3,300,000
Robert Wood Johnson Foundation	3,333,333	-
Kresge Foundation	1,000,000	1,000,000
J Hagedorn	1,858,665	-
PA State Grant DPW	205,779	-
Kellogg Foundation	-	560,000
Hearst Foundation	-	100,000
Other	<u>5,831</u>	<u>35,390</u>
Total Grants Receivable	<u>\$ 13,703,608</u>	<u>\$ 8,995,390</u>

The grant receivables for the Edna McConnell Clark Foundation, Bill and Melinda Gates Foundation, the Robert Woods Johnson Foundation and the Kresge Foundation are all current. All material grant receivables from 2008 were collected, and any similar amounts in 2009 represent an additional round of grant financing.

The grant receivable for J. Hagedorn (a Board member) is a multi-year pledge totaling \$2,000,000 over four years. The pledge is discounted to present value at a 5% discount rate. The associated discount is \$141,335, and will be amortized evenly over the remaining pledge period.

The grant receivable for the State of Pennsylvania Department of Public Welfare is for an annual grant to fund the implementation of the Nurse-Family Partnership in Pennsylvania. The grant was re-authorized through June 30, 2010, but has not yet been funded, thus the receivable (See Note 3 for additional information).

Accounts Receivable - Sites is for educational and technical assistance services provided to the implementing agencies.

NURSE-FAMILY PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009 and 2008

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment, at September 30, 2009, is comprised of the following:

<u>Classification</u>	<u>09/30/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>09/30/09</u>
Leasehold Improvements	\$ 79,589	-	-	\$ 79,589
Furniture & Fixtures	361,131	28,002	23,132	366,001
Computer Assets	542,784	59,839	161,451	441,172
Totals	983,505	87,841	184,584	886,762
Accum Depreciation	(237,136)	(187,668)	(17,142)	(407,662)
Net Fixed Assets	\$ 746,369	\$ (99,827)	\$ 167,441	\$ 479,100

Depreciation expense for the year ended September 30, 2009 was \$187,668.

Property and equipment, at September 30, 2008, is comprised of the following:

<u>Classification</u>	<u>09/30/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>09/30/08</u>
Leasehold Improvements	\$ 59,486	20,103	-	\$ 79,589
Furniture & Fixtures	251,031	112,214	2,114	361,131
Computer Assets	143,476	411,308	12,000	542,784
Totals	453,993	543,626	14,114	983,505
Accum Depreciation	(116,311)	(126,042)	(5,217)	(237,136)
Net Fixed Assets	\$ 337,682	\$ 417,584	\$ 8,898	\$ 746,369

Depreciation expense for the year ended September 30, 2008 was \$126,042.

The Organization capitalizes certain costs related to software development in accordance with SOP 98-1. The projects are for the development of a new Clinical Information System that will be used to gather data from the implementing agencies and for customization of a Customer Relations Management system. For the years ending September 30, 2009 and 2008, the total software development costs capitalized were \$0 and \$144,345, respectively.

NURSE-FAMILY PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009 and 2008

In 2009, the Clinical Information System development was significantly altered to provide for a much more robust and integrated system. Accordingly, the work product to date was reevaluated for its future value within the new requirements. As a result, a portion previously valued at \$151,598 was determined to not support the new requirements, and was retired.

NOTE 6: FUNDING CONCENTRATION

In 2009 and 2008, the Organization received 60% and 62% of its revenue from three private foundations, respectively. In 2009 and 2008, the Organization received 23% and 29% of its revenue from one private foundation, respectively. However, the single largest contributing foundation was different from 2009 to 2008.

NOTE 7: RELATED PARTY TRANSACTIONS

Invest In Kids (IIK) is a related party of the Organization as they are an implementation partner of the Organization and share a common board member. IIK performs certain clinical consultation and program management functions on behalf of the Organization in Colorado. The Organization has agreed to pay IIK 25% of the Technical Assistance revenue earned from Colorado sites. For the year ended September 30, 2009 and 2008, IIK earned \$ 41,150 and \$45,676, respectively.

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 three months of service and have attained age 21. The employer contributes 10% of the employees' compensation. For the years ended September 30, 2009 and 2008, total Organization 401 (k) contributions were \$ 450,789 and \$344,232, respectively.

NURSE-FAMILY PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009 and 2008

NOTE 9: LEASES

The Organization has a sixty one month operating lease for an office in Denver, Colorado beginning May 1, 2005 and ending May 31, 2010. The lease contains annual increases in the cost per square foot, and is therefore expensed on a straight-line basis over the initial term per SFAS No. 13 and Emerging Issues Task Force (EITF) 85-3. This treatment results in a deferred rent balance of \$9,805 as of September 30, 2009. The lease was amended in May 2007, and again in May 2008 to include additional space. The lease payments for the years ending September 30, 2009 and 2008 amounted to \$218,950 and \$205,446, respectively. The Organization has signed a lease amendment as of December 1, 2009 that will both extend the current lease to November 30, 2016, and expand the leased space.

The following are the minimum future operating lease payments:

<u>Year Ending</u>	<u>Amount</u>
September 30, 2010	\$ 250,615
September 30, 2011	286,960
September 30, 2012	292,662
September 30, 2013	298,363
September 30, 2014	304,064
All Remaining Years	<u>677,968</u>
Total	<u>\$ 2,110,632</u>

Other normal office equipment is owned and has been expensed or capitalized in accordance with accounting policy detailed in Notes 1 and 4.

NOTE 10: INCOME TAXES

The Organization has considered the effect from FASB Interpretation (FIN) 48, Accounting for Uncertainty in Income Taxes – an interpretation of FASB No. 109 on Nurse Family Partnership (NFP). As NFP is organized as a charitable organization under IRS 501(c) (3), the income tax issues are limited to the following exposures:

The most fundamental issue is the continued status as a 501 (c) (3) corporation. The Organization has received a favorable ruling from the IRS via a final determination letter dated December 28, 2007. There have been no fundamental changes in the Organization’s mission or activities since the ruling.

NURSE-FAMILY PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009 and 2008

The next issue would be on the existence of any Unrelated Taxable Business Income. The Organization's only operating revenue producing activity is the education and technical assistance programs. While these activities produce material revenue, they are substantially related to the core mission. In fact, they are both absolutely essential and required activities for all NFP implementing agencies, and are offered exclusively to those agencies. As a result, management believes that these activities do not produce unrelated taxable income.

The final issue would be any tax levied on excess lobbying expenditures. The Organization has elected the 501 (h) election via IRS form 5768 that calculates the allowed amount of lobbying expenditures. Management has identified and aggregated all lobbying expenditures from both internal and external sources, and believes that the Organization is within the allowable amounts for fiscal year 2009, fiscal year 2008, and all multi-year tests.

NOTE 11: SUBSEQUENT EVENTS

In consideration of Statement of Financial Accounting Standards No. 165 Subsequent Events (SFAS No. 165), The Organization has reviewed and considered subsequent events through the date of the independent auditors report for disclosure in the financial statements.

ADDITIONAL INFORMATION

NURSE-FAMILY PARTNERSHIP

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2009

<u>Federal Agency/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services</u>		
Passed Through Programs from		
Child Care and Development Block Grant	93.575	\$ 516,874
Medicare Assistance Program	93.778	53,801
Center for Disease Control and Prevention	93.136	4,935
Temporary Assistance for Needy Families	93.558	73,433
Maternal and Child Health Services Block Grant	93.994	<u>28,395</u>
Total		<u>\$ 677,438</u>

See the accompanying note to the schedule of expenditures of federal awards.

NURSE-FAMILY PARTNERSHIP

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2009

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Nurse-Family Partnership and 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*.



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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, 2009, and have issued our report thereon dated December 21, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

**Board of Directors
Nurse-Family Partnership**

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

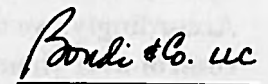
Compliance and Other Matters

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*.

We noted certain matters that we reported to management of the Organization in a separate letter dated November 20, 2009.

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 21, 2009


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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, 2009. 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 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, the Organization 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, 2009.

**Board of Directors
Nurse-Family Partnership**

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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

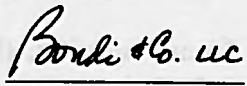
A *control deficiency* in the Organization's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 21, 2009


BONDI & Co. LLC

NURSE-FAMILY PARTNERSHIP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2009

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: **Unqualified**

Internal control over financial reporting:

Material weakness(es) identified? _____ yes no

Significant deficiency(ies) identified not considered to be material weaknesses? _____ yes none reported

Noncompliance material to financial statements noted? _____ yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes no

Significant deficiency(ies) identified not considered to be material weaknesses? _____ yes none reported

Type of auditors' report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? _____ yes no

Identification of major program:

CFDA No. 93.575 Department of Health and Human Services for Child Care and Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**

Auditee qualified as low-risk auditee? yes _____ no

NURSE-FAMILY PARTNERSHIP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
September 30, 2009

Section II - Financial Statement Findings

There were no findings relating to Nurse-Family Partnership's financial statements for the year ended September 30, 2009.

Section III - Federal Award Findings and Questioned Costs

There were no findings relating to Nurse-Family Partnership's major federal program during testing for the year ended September 30, 2009.

Section IV - Prior Year Findings

There were no findings related to Nurse-Family Partnership's major federal program during testing for the year ended September 30, 2008.