

Nurse-Family Partnership



Financial Statements September 30, 2005

Nurse-Family Partnership National Office
1900 Grant Street, Suite 400 • Denver, CO 80203-4304
Toll free 866.864.5226 • fax 303.327.4260
www.nursefamilypartnership.org

TABLE OF CONTENTS

	<u>PAGE(S)</u>
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to the Financial Statements	6 - 10



BONDI & Co. LLC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS

44 INVERNESS DRIVE EAST
ENGLEWOOD, COLORADO 80112

www.bondico.com

(303) 799-6826 PHONE
(800) 250-9083 TOLL-FREE

(303) 799-6926 FAX

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

Independent Auditors' Report

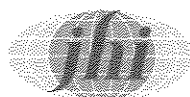
We have audited the accompanying statement of financial position of Nurse-Family Partnership as of September 30, 2005, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management.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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nurse-Family Partnership as of September 30, 2005, and the changes in its assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

November 2, 2005

Bondi & Co. LLC
BONDI & Co. LLC



Affiliate Offices Worldwide

NURSE-FAMILY PARTNERSHIP
STATEMENT OF FINANCIAL POSITION
September 30, 2005

ASSETS

CURRENT ASSETS	
Cash (Note 2)	\$ 1,328,209
Accounts Receivable	1,059,061
Prepaid Expenses	36,503
Other Assets	500
	<hr/>
Total Current Assets	2,424,273
	<hr/>
PROPERTY AND EQUIPMENT, Net (Note 4)	112,390
	<hr/>
OTHER ASSETS	
Cash - Restricted (Note 3)	2,250,060
	<hr/>
Total Assets	<u><u>4,786,723</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable	129,776
Accrued Payroll	144,116
Accrued Expenses	200,000
Deferred Revenues	473,646
	<hr/>
Total Liabilities	947,538
	<hr/>
NET ASSETS	
Temporarily Restricted	3,032,364
Unrestricted	806,821
	<hr/>
Total Net Assets	3,839,185
	<hr/>
Total Liabilities and Net Assets	<u><u>\$ 4,786,723</u></u>

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

NURSE-FAMILY PARTNERSHIP

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2005</u>
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
	<u>2,530,097</u>	<u>3,032,364</u>	<u>5,562,461</u>
Total Revenues, Gains and Other Support			
EXPENSES			
Program Operating Expense	2,302,341		2,302,341
Supporting Services:			
General and Administrative	401,743		401,743
Fundraising and Other	457,898		457,898
	<u>3,161,982</u>	<u> </u>	<u>3,161,982</u>
Total Expenses			
CHANGE IN NET ASSETS	(631,885)	3,032,364	2,400,479
NET ASSETS, Beginning of Year	<u>1,438,706</u>	<u> </u>	<u>1,438,706</u>
NET ASSETS, End of Year	<u>\$ 806,821</u>	<u>\$ 3,032,364</u>	<u>\$ 3,839,185</u>

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

NURSE-FAMILY PARTNERSHIP
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2005

	2005
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received From Contributors and Fundraising	\$ 4,963,761
Cash Paid to Employees	(1,895,101)
Cash Paid to Suppliers	(841,127)
Interest and Dividends Received	13,285
Net Cash Provided by Operating Activities	2,240,818
CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition of Property and Equipment	(85,844)
Net Cash Used in Investing Activities	(85,844)
Increase in Cash and Cash Equivalents	2,154,974
CASH AND CASH EQUIVALENTS, Beginning of Year	1,423,295
CASH AND CASH EQUIVALENTS, End of Year	3,578,269
RECONCILIATION OF CHANGES IN NET ASSETS TO CHANGES IN NET ASSETS PROVIDED BY OPERATING ACTIVITIES:	
Change in Net Assets	2,400,479
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities	
Depreciation	18,516
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(1,059,061)
Increase in Deferred Revenues	473,646
Increase in Prepaid Expenses	(10,358)
Increase in Accounts Payable	94,198
Increase in Accrued Payroll	124,148
Increase in Accrued Expenses	199,250
Net Cash Provided By Operating Activities	2,240,818
CASH AND CASH EQUIVALENTS:	
Cash	1,328,209
Cash - Restricted	2,250,060
Total Cash and Cash Equivalents	\$ 3,578,269

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

NURSE-FAMILY PARTNERSHIP

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2005

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

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

NURSE-FAMILY PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nurse-Family Partnership 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 Corporation 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.

NURSE-FAMILY PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (Continued)

September 30, 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, 2005, the Organization has temporarily restricted net assets of \$3,032,364. The restrictions are for pledges receivable in future years. The Organization has no permanently restricted net assets as of September 30, 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. Conditional promises to give cash or other assets are recognized as contribution revenues and receivables when the conditions are substantially met.

NURSE-FAMILY PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (Continued)

September 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On September 30, 2005, the Organization had \$4,750,000 in conditional promises from the Edna McConnell Clark Foundation. As of September 30, 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.

Fundraising revenues are recognized as commitments when received or upon completion of the specified fundraising 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.

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.

NURSE-FAMILY PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (Continued)

September 30, 2005

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, 2005, the Organization had deposits of approximately \$3,412,238 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 (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.

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

Property and Equipment at September 30, 2005 is comprised 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

NURSE-FAMILY PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (Continued)

September 30, 2005

NOTE 5: CONCENTRATION

In 2005, the Organization received 65% of its revenue from one private foundation.

NOTE 6: AFFILIATE ORGANIZATIONS

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 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 moved 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. With the execution of this, Nurse-Family Partnership was transferred an estimated liability of \$355,817 to provide training and technical assistance. It also received \$440,076 in cash and the ability to collect accounts receivable of \$189,804 for this training and technical assistance.