

NURSE-FAMILY PARTNERSHIP

FINANCIAL STATEMENTS

September 30, 2008 and 2007

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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, 2008 and 2007, 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 Nurse-Family Partnership, as of September 30, 2008 and 2007, 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 January 13, 2009, 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.

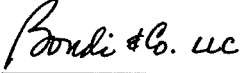


Affiliate Offices Worldwide

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 Nurse-Family Partnership's basic financial statements. The accompanying schedule 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. 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.

January 13, 2009


BONDI & Co. LLC

NURSE-FAMILY PARTNERSHIP

STATEMENT OF FINANCIAL POSITION

September 30, 2008 and 2007

<u>ASSETS</u>	2008	2007
Current Assets		
Cash & Equivalents (Note 2)	\$ 9,331,846	\$ 427,286
Accounts Receivable Sites (Note 4)	497,608	420,369
Accounts Receivable Grants (Note 4)	8,995,390	5,936,134
Prepaid Expenses	85,646	76,304
Other Assets	500	500
Total Current Assets	18,910,990	6,860,593
Property & Equipment, Net (Note 5)	746,369	337,682
Other Assets		
Cash - Restricted (Notes 2 and 3)	1,210,500	686,536
Total Assets	20,867,859	7,884,811
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts Payable	727,806	351,756
Accrued Payroll	463,777	185,258
Accrued Expenses	159,296	154,911
Deferred Revenue	704,472	741,190
Total Liabilities	2,055,351	1,433,115
Net Assets		
Temporarily Restricted	1,939,564	2,525,726
Unrestricted	16,872,944	3,925,970
Total Net Assets	18,812,508	6,451,696
Total Liabilities & Net Assets	\$ 20,867,859	\$ 7,884,811

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

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUES, GAINS AND OTHER SUPPORT			
Public Support			
Contributions - Foundations	\$ 6,877,893	\$ 3,106,666	\$ 9,984,559
Contributions - Federal and States	661,033		661,033
Contributions - Individuals	349,881		349,881
Contributions - In-kind	389		389
Non-Site Revenues	116,797		116,797
Site Revenues	1,607,089		1,607,089
Interest and Dividend Income	46,064	30,910	76,974
Net Assets Released from Restriction	1,128,024	(1,128,024)	-
	<u>10,787,170</u>	<u>2,009,552</u>	<u>12,796,722</u>
EXPENSES			
Program Operating Expense	5,632,812		5,632,812
Supporting Services:			
General and Administrative	840,098		840,098
Fund-raising and Other	367,497		367,497
	<u>6,840,407</u>		<u>6,840,407</u>
CHANGE IN NET ASSETS	3,946,763	2,009,552	5,956,315
NET ASSETS, Beginning of Year	<u>(20,793)</u>	<u>516,174</u>	<u>495,381</u>
NET ASSETS, End of Year	<u>\$ 3,925,970</u>	<u>\$ 2,525,726</u>	<u>\$ 6,451,696</u>

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

NURSE-FAMILY PARTNERSHIP

STATEMENT OF CASH FLOWS

For the Years Ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received From Contributors and Fund-raising	\$18,366,528	\$ 7,172,316
Cash Paid to Employees	(4,411,174)	(3,373,041)
Cash Paid to Suppliers	(4,200,035)	(3,325,920)
Interest and Dividends Received	216,885	76,974
	<u>9,972,204</u>	<u>550,329</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of Property and Equipment	(543,626)	(252,182)
	<u>(543,626)</u>	<u>(252,182)</u>
Net Cash Used in Investing Activities	(543,626)	(252,182)
Increase (Decrease) in Cash and Cash Equivalents	9,428,524	298,147
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,113,822</u>	<u>815,675</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>10,542,346</u></u>	<u><u>1,113,822</u></u>
CASH AND CASH EQUIVALENTS:		
Cash	9,331,846	427,286
Cash - Restricted	1,210,500	686,536
Total Cash and Cash Equivalents	<u><u>10,542,346</u></u>	<u><u>1,113,822</u></u>
RECONCILIATION OF CHANGES IN NET ASSETS TO CHANGES IN NET ASSETS PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Change in Net Assets	12,360,813	5,956,315
Adjustments to Reconcile Net Assets to Net Cash Provided by (Used In) Operating Activities		
Depreciation	126,042	63,339
Bad Debt Expenses	55	
Loss on Disposal Property and Equipment	8,897	
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(3,136,495)	(5,546,857)
Increase (Decrease) in Deferred Revenues	(36,718)	72,941
(Increase) Decrease in Prepaid Expenses	(9,342)	(56,294)
Increase (Decrease) in Accounts Payable	376,048	251,066
Increase (Decrease) in Accrued Payroll	278,519	(55,495)
Increase (Decrease) in Accrued Expenses	4,385	(134,686)
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 9,972,204</u></u>	<u><u>\$ 550,329</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, 2008

Description	Program	Supporting Services			Totals
		Management and General	Fund-raising 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 and Marketing	369,769	6,356	20,000	26,356	396,125
Training and Other Events	204,850	73,473	5,321	78,794	283,644
Rent and Occupancy	190,018	44,397	11,545	55,942	245,960
Printing and 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 and Expenses	61,708	21,349	2,433	23,782	85,490
Dues and Subscriptions	47,595	2,513	4,302	6,815	54,410
Postage and Shipping	30,693	5,054	1,354	6,408	37,101
Equipment Rental and 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

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2007

	Program	Supporting Services		Totals
		Management and General	Fund-raising and Other	
EXPENSES:				
Payroll and Benefits	\$ 2,522,325	\$ 614,019	\$ 181,202	\$ 3,317,546
Outsourced Program Support	1,564,776			1,564,776
Travel	228,486	31,956	5,251	37,207
Consultants	190,343	26,376	88,902	115,278
Advertising and Marketing	102,041	23,095	8,623	31,718
Training and Other Events	180,793	12,116	3,675	15,791
Rent and Occupancy	124,246	8,072	28,586	36,658
Printing and Copying	96,930	2,452	12,655	15,107
Depreciation Expense	34,264	21,192	7,883	29,075
Professional Services	38,475	27,571	2,427	29,998
Telephone	71,271	8,367	12,329	20,696
Other Expenses	19,342	12,408	1,360	13,768
Office Supplies and Expenses	24,593	4,565	2,706	7,271
Dues and Subscriptions	8,530	210	3,529	3,739
Postage and Shipping	20,969	3,612	2,657	6,269
Equipment Rental and Maintenance	22,411	2,306	5,038	7,344
Staff Development	7,592	1,282	656	1,938
Legal	378	34,325		34,325
Client Services	374,969			374,969
Insurance		6,174	18	6,192
Bad Debts	78			
Total	\$ 5,632,812	\$ 840,098	\$ 367,497	\$ 1,207,595
				\$ 6,840,407

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

NURSE-FAMILY PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008 and 2007

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, and 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:

NURSE-FAMILY PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (Continued)

September 30, 2008 and 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

On September 30, 2008 and 2007, the Organization has temporarily restricted net assets of \$1,939,564 and \$2,525,726, 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, 2008 and 2007.

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 and cash equivalents, primarily short-term government securities such as Treasury bills.

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.

NURSE-FAMILY PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (Continued)

September 30, 2008 and 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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.

NURSE-FAMILY PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (Continued)
September 30, 2008 and 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other revenues are recognized when earned.

Volunteers from the community may 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 analyzed the need for an allowance for doubtful accounts for the accounts receivable outstanding. Based upon our history and the year-end accounts receivable, we do not believe that we need an allowance.

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 2007.

NOTE 2: CASH AND INVESTMENTS

The Organization maintains cash accounts in commercial banks and money market funds. The Organization also holds cash equivalent investments comprised entirely of short term Treasury bills. For the year ended September 30, 2008, the Organization had book balances of cash and cash equivalents of \$10,542,346, comprised of a cash balance of \$269,273, a money market balance of \$9,435, and an investment balance of \$10,263,638. For the year ended September 30, 2007, the Organization had book balances of cash and cash equivalents totaling \$1,113,822, comprised of a cash balance of \$150,183, and a money market balance of \$963,639.

NURSE-FAMILY PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (Continued)

September 30, 2008 and 2007

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>2008</u>	<u>2007</u>
Kellogg Foundation	\$ 639,895	\$ 309,857
J Hagedorn	250,000	-
PA State DPW Grant	115,303	114,412
NDCS-CSC	83,333	82,289
Picower	80,336	83,333
Fox Family Fund	25,000	-
Doris Duke Foundation	-	93,071
Other	16,634	3,574
Total	<u><u>\$ 1,210,500</u></u>	<u><u>\$ 686,536</u></u>

The Organization entered into a grant agreement with the W.K. Kellogg Foundation to replicate the Nurse-Family Partnership program. The balance of this fund as of September 30, 2008 and 2007 was \$639,895 and \$309,857, respectively.

The Organization is the beneficiary of a matching grant from J Hagedorn to fund the development of a new clinical information system (CIS). The balance of this fund as of September 30, 2008 and 2007 was \$250,000 and \$0, respectively.

The Organization entered into a grant agreement with State of Pennsylvania Department of Public Welfare, Office of Child Development, to implement the Nurse-Family Partnership Program in Pennsylvania. The balance of this fund as of September 30, 2008 and 2007 was \$115,303 and \$114,412, respectively.

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. The balance of these funds as of September 30, 2008 and 2007 were \$83,333 and \$82,289, respectively.

NURSE-FAMILY PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (Continued)
September 30, 2008 and 2007

NOTE 3: RESTRICTED CASH (Continued)

The Organization entered into a grant agreement with Picower to revise the Nurse-Family Partnership Visit Guidelines. The balance of this fund as of September 30, 2008 and 2007 was \$80,336 and \$83,333, respectively.

The Organization entered into a grant agreement with the Fox Family Fund to engage in diversity and inclusiveness training. The balance of this fund as of September 30, 2008 and 2007 was \$25,000 and \$0, respectively.

The Organization entered into a grant agreement with the Doris Duke Foundation to expand the Nurse-Family Partnership program. The balance of this fund as of September 30, 2008 and 2007 was \$0 and \$93,071, respectively.

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. The balance of these funds as of September 30, 2008 and 2007 were \$16,634 and \$3,574, respectively.

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. Detail as follows:

<u>Contributions Receivable</u>	<u>2008</u>	<u>2007</u>
Edna McConnell Clark Foundation	\$ 4,000,000	\$ 4,000,000
Bill and Melinda Gates Foundation	3,300,000	-
Picower Foundation		83,333
Kresge Foundation	1,000,000	-
Kellogg Foundation	560,000	1,560,000
Hearst Foundation	100,000	-
J Hagedorn	-	250,000
Other	<u>35,390</u>	<u>42,801</u>
Total Contributions Receivable	<u>\$ 8,995,390</u>	<u>\$ 5,936,134</u>

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

NURSE-FAMILY PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (Continued)

September 30, 2008 and 2007

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

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

<u>By Classification</u>	<u>9/30/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/2008</u>
Leasehold Improvements	\$ 59,486	\$ 20,103	\$ -	\$ 79,589
Furniture	251,031	112,214	2,114	361,131
Computer Assets	143,476	411,308	12,000	542,784
Total	453,993	543,626	14,114	983,505
Accum. Depreciation	(116,311)	(126,042)	(5,217)	(237,136)
Net Assets	<u>\$ 337,682</u>	<u>\$ 417,584</u>	<u>\$ 8,897</u>	<u>\$ 746,369</u>

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

Property and equipment, at September 30, 2007, is comprised of the following:

<u>By Classification</u>	<u>9/30/2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/2007</u>
Leasehold Improvements	\$ 16,052	\$ 43,434	\$ -	\$ 59,486
Furniture	143,704	107,327		251,031
Computer Assets	42,054	101,422		143,476
Total	201,810	252,183	-	453,993
Accum. Depreciation	(52,972)	(63,339)		(116,311)
Net Assets	<u>\$ 148,838</u>	<u>\$ 188,844</u>	<u>\$ -</u>	<u>\$ 337,682</u>

Depreciation expense for the year ended September 30, 2007 was \$63,339.

NURSE-FAMILY PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (Continued)

September 30, 2008 and 2007

NOTE 5: PROPERTY, PLANT AND EQUIPMENT (Continued)

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, 2008 and 2007, the total software development costs capitalized were \$144,345 and \$0, respectively.

NOTE 6: FUNDING CONCENTRATION

In 2008, the Organization received 62% of its revenue from three private foundations. In 2008 and 2007, the Organization received 29% and 55% of its revenue from one private foundation, respectively.

NOTE 7: RELATED PARTY TRANSACTIONS

Invest In Kids (IIK) is a related party of the Organization as it is an implementation partner of the Organization and shares 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, 2008 and 2007, the amounts paid to IIK were \$41,711 and \$35,249, 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, 2008 and 2007, total Organization 401 (k) contributions were \$ 344,232 and \$255,280 respectively.

NURSE-FAMILY PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (Continued)

September 30, 2008 and 2007

NOTE 9: LEASES

The Organization has a 61 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 \$20,111 as of September 30, 2008. 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, 2008 and 2007 amounted to \$234,770 and \$158,163, respectively. The following are the minimum future operating lease payments:

<u>Year Ending</u>	<u>Amount</u>
September 30, 2009	\$ 218,950
September 30, 2010	148,886
Total	<u>\$ 367,836</u>

Other normal office equipment is owned and has been expensed or capitalized in accordance with accounting policy detailed in Notes 1 and 5.

NOTE 10: INCOME TAXES

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

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

The next issue would be on the existence of any Unrelated Taxable Business Income. Our only revenue producing activity is our education and technical assistance programs. While these activities produce material revenue, they are substantially related to our core mission. In fact, they are both absolutely essential and required

NURSE-FAMILY PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (Continued)
September 30, 2008 and 2007

NOTE 10: INCOME TAXES (Continued)

activities for all NFP implementing agencies, and are offered exclusively to those agencies. As a result, we believe that these activities do not produce unrelated taxable income.

The final issue would be any tax levied on excess lobbying expenditures. We have elected the 501(h) election via IRS form 5768 that calculates the allowed amount of lobbying expenditures. We have identified and aggregated all lobbying expenditures from both internal and external sources, and believe that we are within the allowable amounts for fiscal years 2008 and 2007, and all multi-year tests.

ADDITIONAL INFORMATION

NURSE-FAMILY PARTNERSHIP

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2008

<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	\$ 475,131
Medicare Assistance Program	93.778	60,447
Center for Disease Control and Prevention	93.136	49,158
Temporary Assistance for Needy Families	93.558	45,520
Maternal and Child Health Services Block Grant	93.994	<u>31,305</u>
Total		<u><u>\$ 661,561</u></u>

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

NURSE-FAMILY PARTNERSHIP

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2008

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, 2008, and have issued our report thereon dated January 13, 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 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. 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 Organization'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 Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization'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 Organization's internal control.



Board of Directors
Nurse-Family Partnership
Denver, Colorado

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.

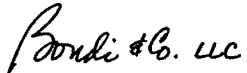
Compliance and Other Matters

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 18, 2008.

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.

January 13, 2009


BONDI & Co. LLC



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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, 2008. 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, 2008.



**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 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 Organization’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 Organization’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 Organization’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.

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

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.

January 13, 2009

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NURSE-FAMILY PARTNERSHIP

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2008

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(Continued)

September 30, 2008

Section II - Financial Statement Findings

There were no findings relating to Nurse-Family Partnership's financial statements for the year ended September 30, 2008.

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, 2008.

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, 2007.