

NURSE-FAMILY PARTNERSHIP

FINANCIAL STATEMENTS

September 30, 2010 and 2009

TABLE OF CONTENTS

	<u>PAGE(S)</u>
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities	3 - 4
Statement of Cash Flows	5
Statements of Functional Expenses	6 - 7
Notes to the Financial Statements	8 – 19



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

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

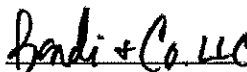
Independent Auditors' Report

We have audited the accompanying statement of financial position of Nurse-Family Partnership (Organization) as of September 30, 2010 and 2009, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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, 2010 and 2009, 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.

November 22, 2010


BONDI & Co. LLC

NURSE-FAMILY PARTNERSHIP

STATEMENT OF FINANCIAL POSITION

September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets		
Cash & Cash Equivalents (Note 2)	\$ 12,214,899	\$ 10,116,106
Accounts Receivable - Sites (Note 4)	488,647	200,119
Accounts Receivable - Grants (Note 4)	5,893,735	12,844,943
Short-term Investments (Note 2)	5,137,571	666,711
Prepaid Expenses	164,121	139,049
Other Current Assets	500	500
Total Current Assets	<u>23,899,473</u>	<u>23,967,428</u>
Property & Equipment, Net (Note 5)	1,529,792	479,100
Long-Term Investments (Note 2)	503,724	2,679,013
Pledge Receivable Long-term (Note 4)	1,406,657	858,665
Cash - Restricted (Notes 2 and 3)	302,391	579,650
Total ASSETS	<u><u>27,642,037</u></u>	<u><u>28,563,856</u></u>
 LIABILITIES & NET ASSETS		
Current Liabilities		
Accounts Payable	816,204	323,284
Accrued Payroll	725,844	545,638
Accrued Expenses	387,728	522,849
Deferred Revenue	780,392	1,279,310
Total Current Liabilities	<u>2,710,168</u>	<u>2,671,081</u>
Net Assets		
Temporarily Restricted	1,638,561	1,364,208
Unrestricted	23,293,308	24,528,567
Total Net Assets	<u>24,931,869</u>	<u>25,892,775</u>
Total LIABILITIES & NET ASSETS	<u><u>\$ 27,642,037</u></u>	<u><u>\$ 28,563,856</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, 2010

	Unrestricted	Temporarily Restricted	Totals
REVENUES, GAINS AND OTHER SUPPORT			
Public Support			
Contributions - Foundations	\$ 6,138,434	\$ 275,500	\$ 6,413,934
Contributions - Federal and States	14,911	434,881	449,792
Contributions - Individuals	90,387	547,992	638,379
Contributions - In-kind	241,677		241,677
Site Revenues	2,987,772		2,987,772
Interest and Dividend Income	72,707		72,707
Net Assets Released from Restriction	984,020	(984,020)	
Total Revenues, Gains and Other Support	10,529,908	274,353	10,804,261
EXPENSES			
Program Expense	9,407,863		9,407,863
Supporting Services:			
Management and General	1,899,251		1,899,251
Fund-raising and Other	458,053		458,053
Total Expenses	11,765,167		11,765,167
CHANGE IN NET ASSETS	(1,235,259)	274,353	(960,906)
NET ASSETS, Beginning of Year	24,528,567	1,364,208	25,892,775
NET ASSETS, End of Year	\$ 23,293,308	\$ 1,638,561	\$ 24,931,869

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	1,075,541	896,665	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	18,209,550	(575,356)	17,634,194
EXPENSES			
Program Expense	8,744,901		8,744,901
Supporting Services:			
Management and General	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	7,655,623	(575,356)	7,080,267
NET ASSETS, Beginning of Year	16,872,944	1,939,564	18,812,508
NET ASSETS, End of Year	\$ 24,528,567	\$ 1,364,208	\$ 25,892,775

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

NURSE-FAMILY PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received From Contributors and Fund-raising	\$ 16,347,322	\$ 13,754,775
Cash Paid to Employees	(6,202,413)	(5,767,412)
Cash Paid to Suppliers	(4,839,315)	(4,443,414)
Interest and Dividends Received	<u>72,707</u>	<u>43,026</u>
Net Cash Provided by Operating Activities	<u>5,378,301</u>	<u>3,586,975</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of Property and Equipment	(1,261,196)	(87,841)
Increase in Short-term Investments	(4,470,860)	(666,711)
(Increase) Decrease in Long-term Investments	<u>2,175,289</u>	<u>(2,679,013)</u>
Net Cash Used in Investing Activities	<u>(3,556,767)</u>	<u>(3,433,565)</u>
Increase in Cash and Cash Equivalents	1,821,534	153,410
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>10,695,756</u>	<u>10,542,346</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>12,517,290</u></u>	<u><u>10,695,756</u></u>
CASH AND CASH EQUIVALENTS:		
Cash	12,214,899	10,116,106
Cash - Restricted	<u>302,391</u>	<u>579,650</u>
Total Cash and Cash Equivalents	<u><u>12,517,290</u></u>	<u><u>10,695,756</u></u>
RECONCILIATION OF CHANGES IN NET ASSETS TO CHANGES IN NET ASSETS PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Change in Net Assets	(960,906)	7,080,267
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	210,504	187,668
Bad Debt Expense	-	1
Loss on Disposal Property and Equipment (net of depreciation)	-	167,441
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	6,114,687	(4,411,229)
Increase (Decrease) in Deferred Revenues	(498,918)	574,838
Increase in Prepaid Expenses	(25,071)	(52,903)
Increase (Decrease) in Accounts Payable	492,920	(404,524)
Increase in Accrued Payroll	180,206	81,862
Increase (Decrease) in Accrued Expenses	<u>(135,121)</u>	<u>363,554</u>
Net Cash Provided By Operating Activities	<u><u>\$ 5,378,301</u></u>	<u><u>\$ 3,586,975</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, 2010

Description	Supporting Services					Totals
	Program	Management and General	Fund-raising And Other	Total Supporting Services		
EXPENSES						
Payroll and Benefits	\$ 4,854,895	\$ 1,098,221	\$ 303,216	\$ 1,401,437	\$	6,256,332
Outsourced Program Support	1,400,215	-	-	-		1,400,215
Consultants	967,689	389,272	35,208	424,480		1,392,169
Travel	545,239	71,996	11,136	83,132		628,371
Printing & Copying	319,001	2,259	4,198	6,457		325,458
Advertising & Marketing	304,990	1,500	8,046	9,546		314,536
Rent & Occupancy	229,633	48,658	13,658	62,316		291,949
Training & Other Events	147,734	55,712	27,817	83,529		231,263
Depreciation Expense	165,572	35,084	9,848	44,932		210,504
Telephone	159,640	36,159	9,848	46,007		205,647
Professional Services	100,782	38,733	5,273	44,006		144,788
Other Expenses	52,434	83,825	6,543	90,368		142,802
Dues & Subscriptions	30,379	7,410	15,827	23,237		53,616
Office Supplies & Expenses	42,744	7,655	1,691	9,346		52,090
Postage & Shipping	36,745	4,440	715	5,155		41,900
Staff Development	19,312	5,960	3,293	9,253		28,565
Equipment Rental & Maintenance	14,799	2,907	930	3,837		18,636
Client Services	9,532	-	418	418		9,950
Insurance	6,528	1,383	388	1,771		8,299
Legal	-	8,077	-	8,077		8,077
Total	\$ 9,407,863	\$ 1,899,251	\$ 458,053	\$ 2,357,304	\$	11,765,167

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	Supporting Services				Totals
	Program	Management and General	Fund-raising And Other	Total Supporting Services	
EXPENSES					
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
Consultants	606,943	41,704	47,373	89,077	696,020
Travel	441,695	50,151	6,834	56,985	498,680
Training & Other Events	211,767	75,085	4,841	79,926	291,693
Advertising & Marketing	269,718	-	2,036	2,036	271,754
Rent & Occupancy	198,403	35,068	6,876	41,944	240,347
Other Expenses	141,364	87,794	6,584	94,378	235,742
Printing & Copying	226,181	2,948	682	3,630	229,811
Depreciation Expense	151,781	30,004	5,883	35,887	187,668
Telephone	132,814	27,947	4,881	32,828	165,642
Professional Services	92,094	48,518	2,668	51,186	143,280
Staff Development	20,786	50,802	1,605	52,407	73,193
Dues & Subscriptions	32,868	2,661	8,082	10,743	43,611
Postage & Shipping	35,347	3,030	336	3,366	38,713
Office Supplies & Expenses	32,754	4,695	686	5,381	38,135
Client Services	16,658	-	-	-	16,658
Equipment Rental & Maintenance	13,122	2,456	482	2,938	16,060
Legal	-	8,696	-	8,696	8,696
Insurance	5,748	1,917	223	2,140	7,888
Bad Debts	-	1	-	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
Notes to the Financial Statements
September 30, 2010 and 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nurse-Family Partnership (Organization or NFP) 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 families face significant short-term and long-term risks to their health, personal development, and economic well-being. Through regular visits with specially trained registered nurses, the Organization helps the 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 the Financial Standards Accounting Board (FASB) Accounting Standards Codification (ASC) 958-605 *Revenue Recognition for Not-for-Profit Entities*, 958-205 *Presentation of Financial Statements*, and 958-20 *Financially Interrelated Entities*. FASB ASC 958-605 generally requires contributions received or made, including unconditional promises to give, to be recognized in the period received or made, respectively, at fair value. FASB ASC 958-205 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. FASB ASC 958-20 generally requires that asset 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 FASB ASC 958-205, 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 those that are unavailable until future periods.

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

Nurse-Family Partnership
Notes to the Financial Statements
September 30, 2010 and 2009

On September 30, 2010 and 2009, the Organization has temporarily restricted net assets of \$1,638,561 and \$1,364,208 respectively. The restrictions are for various specific uses, all of which support the NFP mission, and time or access restrictions for long term receivables. The Organization had no permanently restricted net assets as of September 30, 2010 and 2009.

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 with an acquisition value over \$500 and with a useful life over one year are capitalized. Software development costs are capitalized in accordance with the FASB ASC 350-40, *Internal Use Software*.

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

Nurse-Family Partnership received consulting services from the Bridgespan Group for product pricing analysis during 2010 which was sponsored by the Edna McConnell Clark Foundation. These services were valued at \$240,000 and were recorded as contributions and consulting expenses in the financial statements.

Nurse-Family Partnership
Notes to the Financial Statements
September 30, 2010 and 2009

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 foundation or donor approved growth plans for the Nurse-Family Partnership program. These growth metrics contain quarterly targets, so the Organization would only be able to recognize conditional pledges that are based upon quarters already completed. If the conditional growth requirements have been met through quarter end, 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 cannot be utilized within the next fiscal year (such as a long term grant receivable). 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 same year as receipt are classified first as restricted, and then as unrestricted as the conditions are met and the restrictions are released.

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. Advertising and Marketing expense was \$314,536 and \$271,754 for the years ended September 30, 2010 and 2009, respectively.

Fund-raising revenues are recognized either as 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.

Certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

Nurse-Family Partnership
Notes to the Financial Statements
September 30, 2010 and 2009

NOTE 2: CASH AND INVESTMENTS

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

<u>Security</u>	<u>2010</u>	<u>2009</u>
Cash	\$ 801,645	\$ 122,096
Money Market	2,642,173	404,619
Certificates of Deposit	3,591,550	1,241,855
Corporate Bonds	2,049,745	2,103,870
Treasury Bills	<u>9,073,472</u>	<u>10,169,040</u>
Total	<u>\$ 18,158,585</u>	<u>\$ 14,041,480</u>
Cash & Cash Equivalents	12,214,899	10,116,106
Short term Investments	5,137,571	666,711
Long term Investments	503,724	2,679,013
Restricted Cash	<u>302,391</u>	<u>579,650</u>
Total	<u>\$ 18,158,585</u>	<u>\$ 14,041,480</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. All CDs that mature within twelve months are classified as short-term investments while CDs that mature after the next twelve months are classified as long-term investments.

All bonds are of investment grade quality with current maturities ranging from six to eighteen months. All bonds that mature within twelve months are classified as short term investments while bonds that mature after the next twelve months are classified as long-term investments.

Nurse-Family Partnership
Notes to the Financial Statements
September 30, 2010 and 2009

Per FASB ASC 820-10 *Fair Value Measurements and Disclosures*, all cash and cash equivalents, short-term investments and long-term investments were valued using Level One or Two inputs. The following details each major category of investments and the related fair value as of September 30, 2010 and 2009:

<u>Security</u>	<u>Market Value</u> <u>2010</u>	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets	
		Level 1 2010	Level 2 2010
Cash	\$ 801,645	\$ 801,645	\$ -
Money Market	2,642,173	2,642,173	-
Certificates of Deposit	3,591,550	476,474	3,115,076
Corporate Bonds	2,049,745	2,049,745	-
Treasury Bills	<u>9,073,472</u>	<u>9,073,472</u>	<u>-</u>
Total	<u>\$ 18,158,585</u>	<u>\$ 15,043,509</u>	<u>\$ 3,115,076</u>

<u>Security</u>	<u>Market Value</u> <u>2009</u>	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets	
		Level 1 2009	Level 2 2009
Cash	\$ 122,096	\$ 122,096	\$ -
Money Market	404,619	404,619	-
Certificates of Deposit	1,241,855	1,146,251	95,604
Corporate Bonds	2,103,870	2,103,870	-
Treasury Bills	<u>10,169,040</u>	<u>10,169,040</u>	<u>-</u>
Total	<u>\$ 14,041,480</u>	<u>\$ 13,945,876</u>	<u>\$ 95,604</u>

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:

Nurse-Family Partnership
Notes to the Financial Statements
September 30, 2010 and 2009

<u>Donor</u>	<u>2010</u>	<u>2009</u>
Wellpoint Foundation	\$ 201,677	-
PA State Grant DPW	75,613	-
Johnson & Johnson	10,000	-
Hearst Foundation	5,313	\$ 63,559
Medimmune	5,000	10,000
Kellogg Foundation - Michigan	-	359,747
Kellogg Foundation	-	123,751
Fox Family Foundation	-	10,000
John & Dorothy Castle Fund	-	7,500
Other	4,788	5,093
	<u>4,788</u>	<u>5,093</u>
Total Restricted Cash	<u>\$ 302,391</u>	<u>\$ 579,650</u>

The Organization entered into a grant agreement with the Wellpoint Foundation to maintain NFP efforts to reduce the incidence of low birth weight among our clients in eight states.

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. See Note 4 for more information.

The Organization entered into a grant agreement with Johnson & Johnson to support a nurse home visitor supervisor educational summit.

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 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 2009 grant agreement with the Fox Family Foundation to fund enhancements to the Nurse-Family Partnership website.

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.

Nurse-Family Partnership
Notes to the Financial Statements
September 30, 2010 and 2009

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

NOTE 4: ACCOUNTS RECEIVABLE

Accounts Receivable – Grants & Pledges is comprised of both unconditional pledges and conditional pledges if the conditions have been met. As well, management 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 net present value. Detail as follows:

<u>Accounts Receivable - Grants & Pledges</u>	<u>2010</u>	<u>2009</u>
Robert Wood Johnson Foundation	\$ 3,333,333	\$ 3,333,333
Mr. J Hagedorn	626,898	1,000,000
Kresge Foundation	1,000,000	1,000,000
Robertson Foundation	925,000	-
Edna McConnell Clark Foundation	-	4,000,000
Bill and Melinda Gates Foundation	-	3,300,000
PA State Grant DPW	-	205,779
Other	8,505	5,831
Current Grants Receivable	<u>\$ 5,893,735</u>	<u>\$ 12,844,943</u>
Mr. J Hagedorn	1,600,000	1,000,000
Unamortized Discount	(193,343)	(141,335)
Long Term Pledge Receivable	<u>\$ 1,406,657</u>	<u>\$ 858,665</u>
Total Grants & Pledges Receivable	<u>\$ 7,300,392</u>	<u>\$ 13,703,608</u>

The grant receivables for the Robert Wood Johnson Foundation, the Kresge Foundation, and the Robertson Foundation are all current and represent one installment of a multi-year pledge. All conditions for earning these grants have been satisfied. Any similar receivable amounts in 2009 represent an additional round of grant financing as all amounts from 2009 were received.

Nurse-Family Partnership
Notes to the Financial Statements
September 30, 2010 and 2009

The pledge receivable for Mr. J. Hagedorn (a Board member) is a multi-year pledge totaling \$2,500,000 over six years. Certain amounts were received on the pledge during 2010, and the total pledge was increased and extended in 2010. Amounts scheduled to be received within the next twelve months are shown as current and are not discounted while amounts to be received after the next twelve months are shown as long-term and are discounted to present value. Management used a discount rate for 2010 and 2009 of 4% and 5% respectively. The unamortized discount as of September 30, 2010 and 2009 was \$193,343 and \$141,335 respectively, which will be amortized over the remaining pledge period using the effective interest method. The pledge receivable is scheduled to be received as follows:

<u>Mr. J Hagedorn Pledge Receivable</u>	<u>2010</u>	<u>2009</u>
To Be Received in One Year	\$ 626,898	\$ 1,000,000
To Be Received in One to Five Years	<u>1,600,000</u>	<u>1,000,000</u>
Total To Be Received	2,226,898	2,000,000
Unamortized Discount	<u>(193,343)</u>	<u>(141,335)</u>
Mr. J Hagedorn Pledge Receivable	<u>\$ 2,033,555</u>	<u>\$ 1,858,665</u>

The grant receivable for the State of Pennsylvania Department of Public Welfare, Office of Child Development is for a recurring annual grant to fund the implementation of the Nurse-Family Partnership in Pennsylvania. This grant has been reauthorized through June 30, 2011. This grant was collected in advance in 2010, but in arrears in 2009. See Note 3 for more information.

Accounts Receivable - Sites are for receivables from Implementing Agencies for educational and technical assistance services.

Nurse-Family Partnership
Notes to the Financial Statements
September 30, 2010 and 2009

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment, as of September 30, 2010, was comprised of the following:

<u>Classification</u>	<u>9/30/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/2010</u>
Leasehold Improvements	\$ 79,588	\$ 211,767	\$ -	\$ 291,355
Furniture & Fixtures	32,526	95,965	-	128,491
Computers - PC	117,974	57,071	-	175,045
Computers - Servers	215,501	181,466	-	396,967
Software Purchased	441,172	89,229	-	530,401
Software Developed	-	625,698	-	625,698
Totals	\$ 886,761	\$ 1,261,196	\$ -	\$ 2,147,957
Accumulated Depreciation	(407,661)	(210,504)	-	(618,165)
Net Fixed Assets	\$ 479,100	\$ 1,050,692	\$ -	\$ 1,529,792

Depreciation expense for the year ended September 30, 2010 was \$210,504.

Property and equipment, as of September 30, 2009, was comprised of the following:

<u>Classification</u>	<u>9/30/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/2009</u>
Leasehold Improvements	\$ 79,588	\$ -	\$ -	\$ 79,588
Furniture & Fixtures	26,770	10,653	4,897	32,526
Computers - PC	119,477	14,203	15,706	117,974
Computers - Servers	214,885	3,146	2,530	215,501
Software Purchased	396,814	54,211	9,853	441,172
Software Developed	145,970	5,628	151,598	-
Totals	\$ 983,504	\$ 87,841	\$ 184,584	\$ 886,761
Accumulated Depreciation	(237,136)	(187,668)	(17,143)	(407,661)
Net Fixed Assets	\$ 746,368	\$ (99,827)	\$ 167,441	\$ 479,100

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

Nurse-Family Partnership
Notes to the Financial Statements
September 30, 2010 and 2009

The Organization capitalizes certain internal costs related to software development in accordance with FASB ASC 350-40. The primary projects were for the development of a new Clinical Information System (CIS), website revisions, and a Customer Relations Management system. For the years ending September 30, 2010 and 2009, the total internal software development costs capitalized were \$148,883 and \$0, respectively.

In 2009, the CIS replacement project was significantly modified 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 2010 and 2009, the Organization received 57% and 60% of its total revenue from three private foundations, respectively. In 2010 and 2009, the Organization received 31% and 23% of its revenue from one private foundation, respectively. However, only one of the three largest contributing foundations was the same for 2010 and 2009, and the single largest donor was different in 2010 than 2009.

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 years ended September 30, 2010 and 2009, this expense was \$39,769 and \$41,150, respectively.

Nurse-Family Partnership
Notes to the Financial Statements
September 30, 2010 and 2009

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 which vests immediately. For the years ended September 30, 2010 and 2009, total Organization 401(k) contributions were \$499,860 and \$450,789, respectively.

NOTE 9: LEASES

The Organization entered into a lease amendment and extension for office space in Denver, Colorado for eighty four months effective December 1, 2009 and ending November 30, 2016. The amendment contains certain inducements and allowances that will be recognized over the remaining life of the lease. 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 FASB ASC 840 *Leases*. This treatment results in a deferred rent balance for the years ended September 30, 2010 and 2009 of \$224,923 and \$9,805, respectively.

The lease payments for the years ending September 30, 2010 and 2009 amounted to \$250,615 and \$218,950, respectively.

The following are the minimum future operating lease payments:

<u>Year Ending</u>	<u>Amount</u>
September 30, 2011	\$ 286,960
September 30, 2012	292,662
September 30, 2013	298,363
September 30, 2014	304,064
September 30, 2015	309,765
All Remaining Years	<u>368,203</u>
Total	<u>\$ 1,860,017</u>

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

Nurse-Family Partnership
Notes to the Financial Statements
September 30, 2010 and 2009

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 ASC 740 *Income Taxes*. 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.

Another issue would be the potential existence of any Unrelated Business Taxable Income (UBTI). 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 UBTI.

Another issue would be any tax levied on any excess lobbying or grassroots lobbying expenditures. The Organization has elected the 501(h) election with the IRS to be utilized in clearly defining 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 2010, 2009, and all multi-year tests.

NOTE 11: SUBSEQUENT EVENTS

In consideration of FASB ASC 855 *Subsequent Events*, The Organization has reviewed and considered subsequent events through the date of the independent auditors report for disclosure in the financial statements. Management believes there are no reportable subsequent events.