

THE NATIONAL SERVICE OFFICE FOR NURSE-FAMILY PARTNERSHIP AND CHILD FIRST
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

THE NATIONAL SERVICE OFFICE FOR NURSE-FAMILY PARTNERSHIP AND CHILD FIRST
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Nurse-Family Partnership
Denver, Colorado

We have audited the accompanying financial statements of Nurse-Family Partnership (a nonprofit organization), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
February 3, 2022

THE NATIONAL SERVICE OFFICE FOR NURSE-FAMILY PARTNERSHIP AND CHILD FIRST

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2021 AND 2020

(IN THOUSANDS)

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalent investments	\$ 19,237	\$ 14,756
Accounts receivable, net	1,645	1,294
Contributions receivable, net	2,656	476
Short-term investments	3,031	3,805
Prepaid expenses	698	471
Other assets	62	47
Total current assets	27,329	20,849
Long-term assets:		
Contributions receivable	4,602	-
Investments	23,932	22,814
Property and equipment, net	3,072	3,300
Total long-term assets	31,606	26,114
Total assets	\$ 58,935	\$ 46,963
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,705	\$ 4,029
Distributions and grants payable	1,677	2,742
Pass-through grants	-	378
Deferred revenue	2,391	2,525
Total current liabilities	7,773	9,674
Long-term liabilities:		
Deferred rent	127	178
Total long-term liabilities	127	178
Total liabilities	7,900	9,852
Net assets:		
With donor restrictions	8,233	2,492
Without donor restrictions	42,802	34,619
Total net assets	51,035	37,111
Total liabilities and net assets	\$ 58,935	\$ 46,963

See notes to financial statements.

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THE NATIONAL SERVICE OFFICE FOR NURSE-FAMILY PARTNERSHIP AND CHILD FIRST

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2021

(IN THOUSANDS)

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES AND OTHER SUPPORT			
Philanthropic contributions	\$ 22,815	\$ 12,966	\$ 35,781
Excess of assets acquired over liabilities assumed in Child First business combination	3,092	648	3,740
Site revenues	9,284	-	9,284
Education revenues	2,183	-	2,183
Investment income	200	-	200
Net assets released from restrictions	7,873	(7,873)	-
Total revenues and other support	<u>45,447</u>	<u>5,741</u>	<u>51,188</u>
EXPENSES			
Program services	30,231	-	30,231
Supporting services:			
Management, general and administrative	4,049	-	4,049
Fundraising	2,984	-	2,984
Total expenses	<u>37,264</u>	<u>-</u>	<u>37,264</u>
CHANGE IN NET ASSETS	8,183	5,741	13,924
NET ASSETS, beginning of year	<u>34,619</u>	<u>2,492</u>	<u>37,111</u>
NET ASSETS, end of year	<u>\$ 42,802</u>	<u>\$ 8,233</u>	<u>\$ 51,035</u>

See notes to financial statements.

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THE NATIONAL SERVICE OFFICE FOR NURSE-FAMILY PARTNERSHIP AND CHILD FIRST

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2020

(IN THOUSANDS)

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES AND OTHER SUPPORT			
Philanthropic contributions	\$ 25,966	\$ 5,390	\$ 31,356
Government grants for implementation	-	750	750
Site revenues	6,949	-	6,949
Education revenues	2,135	-	2,135
Investment income	1,065	-	1,065
Net assets released from restrictions	5,339	(5,339)	-
Total revenues and other support	41,454	801	42,255
EXPENSES			
Program services	30,006	-	30,006
Supporting services:			
Management, general and administrative	3,518	-	3,518
Fundraising	2,928	-	2,928
Total expenses	36,452	-	36,452
CHANGE IN NET ASSETS	5,002	801	5,803
NET ASSETS, beginning of year	29,617	1,691	31,308
NET ASSETS, end of year	\$ 34,619	\$ 2,492	\$ 37,111

See notes to financial statements.

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THE NATIONAL SERVICE OFFICE FOR NURSE-FAMILY PARTNERSHIP AND CHILD FIRST

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2021

(IN THOUSANDS)

		Supporting services		
	Program services	Management, general and administrative	Fundraising	Total
Payroll and benefits	\$ 13,836	\$ 2,786	\$ 2,027	\$ 18,649
Grants and program distributions	6,278	-	-	6,278
Consultants	5,234	586	283	6,103
Technology	1,074	205	287	1,566
Outsourced program support	1,090	-	-	1,090
Advertising, enrollment promotion	661	19	121	801
Depreciation and amortization	540	91	74	705
Rent and occupancy	452	71	58	581
Equipment and maintenance	188	60	25	273
Training and other events	198	1	8	207
Dues and subscriptions	160	4	5	169
Professional services	87	64	16	167
Postage and shipping	72	9	10	91
Travel	38	8	25	71
Legal	13	37	-	50
Printing and copying	31	2	2	35
Office supplies and expenses	11	8	5	24
Other	268	98	38	404
	<u>268</u>	<u>98</u>	<u>38</u>	<u>404</u>
Total expenses	<u>\$ 30,231</u>	<u>\$ 4,049</u>	<u>\$ 2,984</u>	<u>\$ 37,264</u>

See notes to financial statements.

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THE NATIONAL SERVICE OFFICE FOR NURSE-FAMILY PARTNERSHIP AND CHILD FIRST

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2020

(IN THOUSANDS)

		Supporting services		
	Program services	Management, general and administrative	Fundraising	Total
Payroll and benefits	\$ 11,306	\$ 2,507	\$ 1,780	\$ 15,593
Grants and program distributions	9,002	-	-	9,002
Consultants	4,948	378	557	5,883
Outsourced program support	1,159	-	-	1,159
Travel	515	29	47	591
Advertising, enrollment promotion	734	21	93	848
Technology	804	156	159	1,119
Training and other events	118	-	11	129
Rent and occupancy	391	72	68	531
Printing and copying	38	3	26	67
Equipment and maintenance	128	18	23	169
Depreciation and amortization	489	92	84	665
Professional services	88	57	15	160
Dues and subscriptions	104	9	17	130
Postage and shipping	49	8	22	79
Office supplies and expenses	22	5	2	29
Legal	-	75	-	75
Other	111	88	24	223
	<u>30,006</u>	<u>3,518</u>	<u>2,928</u>	<u>36,452</u>
Total expenses	\$ <u>30,006</u>	\$ <u>3,518</u>	\$ <u>2,928</u>	\$ <u>36,452</u>

See notes to financial statements.

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THE NATIONAL SERVICE OFFICE FOR NURSE-FAMILY PARTNERSHIP AND CHILD FIRST

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

(IN THOUSANDS)

	2021	2020
Cash flows from operating activities:		
Increase in net assets	\$ 13,924	\$ 5,803
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Merger Contribution, net of cash received	(2,572)	-
Depreciation and amortization	705	665
Change in provision for uncollectible accounts receivable	70	9
Loss on disposal of property, plant and equipment	93	-
Discount on pledges receivable	48	-
Net unrealized and realized change in investments	262	(644)
Change in accrued interest	33	(48)
Changes in assets and liabilities:		
Accounts receivable	(276)	908
Contributions receivable	(6,604)	(300)
Prepaid expenses	(170)	(235)
Other assets	(15)	-
Accounts payable and accrued expenses	(425)	951
Distributions and grants payable	(1,065)	795
Pass-through grants	(378)	(1,105)
Deferred revenue	(615)	(1,198)
Total adjustments	(10,909)	(202)
Net cash provided by operating activities	3,015	5,601
Cash flows from (used in) investing activities:		
Purchases of property and equipment	(424)	(919)
Purchases of investments	(5,752)	(14,838)
Proceeds from sales and maturities of investments	7,642	10,166
Net cash from (used in) investing activities	1,466	(5,591)
Net increase in cash and cash equivalents	4,481	10
Cash and cash equivalents, beginning	14,756	14,746
Cash and cash equivalent investments, ending	\$ 19,237	\$ 14,756

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Nurse-Family Partnership acquired Child First for no consideration.

In conjunction with the acquisition, liabilities were assumed
and a contribution was received from Child First as follows:

Fair value of assets acquired	\$ 4,271	\$ -
Liabilities assumed	(531)	-
Inherent contribution received in acquisition of Child First	\$ 3,740	\$ -

See notes to financial statements.

THE NATIONAL SERVICE OFFICE FOR NURSE-FAMILY PARTNERSHIP AND CHILD FIRST

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

(IN THOUSANDS)

1. Description of Organization and summary of significant accounting policies:

Nurse-Family Partnership (NFP) is a nonprofit, tax-exempt, 501(c)(3) corporation established in 2003. On December 1, 2020, NFP acquired Child First, and is now doing business as the National Service Office for Nurse-Family Partnership and Child First (NSO). The NSO's primary objective is to replicate and grow the Nurse-Family Partnership ® (NFP) and Child FirstSM programs (the Programs) which are delivered through network partners and affiliates throughout the United States. Network partners and affiliates are independent from the NSO and implement the Programs by contract.

Accordingly, the accompanying financial statements include the accounts of the NSO, and do not include the financial position or results of operations from any network partner, state, or affiliates.

Nurse-Family Partnership Program

The NFP Program is an evidence-based, nurse-home-visitation program that serves mothers and their children affected by social and economic inequalities. These families face barriers to healthcare and wellness resources that can impact health outcomes for themselves and their children. Through regular visits with NFP- trained, registered nurses, the Program is designed to assist mothers during their pregnancies and up to the first two years of their child's life. The Program is designed to uncover parents innate strengths and skills as parents. Research consistently proves that Nurse-Family Partnership succeeds at its most important goals: keeping children and moms healthy and safe and assisting them in creating the lives they want for themselves.

This Program is based upon intellectual property developed by Dr. David Olds, Director of the Prevention Research Center, University of Colorado. NFP has been granted the perpetual, exclusive and royalty-free right to use the intellectual property by the University of Colorado within the United States. NFP also has the first right of refusal in the event the University of Colorado opts to sell the intellectual property. NFP earns fees for educational, consulting and program support services provided to the network partners and certain states, and receives funding from private foundations, and governmental grants and other public support. There are no fees charged at any time to the enrolled families.

Child First Program

The Child First program (CF) helps to heal and protect vulnerable young children (0-5 years of age) and their families from the devastating effects of trauma and chronic stress by fostering the development of strong, nurturing, caregiver-child relationships, promoting adult capacity and connecting families with needed services. The CF model is an evidenced-based, in-home intervention that uses a two-pronged approach: 1) connecting the family to comprehensive, integrated services, which decreases the toxic stress, and 2) providing a parent-child psycho-therapeutic intervention, which together build nurturing relationships, protect the developing brain, and optimize child developmental and health.

Regions implementing the CF model are selected for replication and provided intensive training and ongoing clinical consultation. The program began in 2001 out of Bridgeport Hospital in Connecticut, with early replication starting in 2010. As of September 30, 2021, there are 15 affiliate sites providing services throughout Connecticut, 3 affiliate sites providing services in Palm Beach County, Florida, 5 affiliate sites providing services that cover the 24 eastern counties of North Carolina, and 4 affiliate sites in Colorado.

The NSO analyzes all process and outcome data from model implementation and certifies the Child First affiliate sites to ensure ongoing model fidelity. Additionally, the NSO works closely with funding partners supporting implementation of the model including the Connecticut Department of Children and Families, Children's Services Council of Palm Beach County, Florida, Trillium Health Services in North Carolina, and Invest in Kids, in Colorado.

THE NATIONAL SERVICE OFFICE FOR NURSE-FAMILY PARTNERSHIP AND CHILD FIRST

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

(IN THOUSANDS)

1. Description of Organization and summary of significant accounting policies (continued):

Cash and cash equivalent investments:

The NSO considers all liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include demand deposit accounts, money market funds, certificates of deposit, and treasury bills. Accounts may exceed federally insured limits, however, these accounts are held by major financial institutions. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Investments:

Investments are reported at fair value based upon quoted market prices. The investments classified as short-term are scheduled to mature within one year or for which it is the intent of management to sell such investments within one year. The investments classified as long-term are scheduled to mature in a period beyond one year or have no scheduled maturity dates. Investment income, gains, and losses are reported in the statements of activities as increases or decreases in net assets with or without donor restrictions based on the existence of donor imposed restrictions. Realized and unrealized gains, losses, and interest income are included in the change in net assets. Donated investments are recorded as contributions at their estimated fair values on the donation dates and are sold upon receipt.

Fair value measurements:

The NSO measures its financial assets and liabilities under accounting guidance that establishes a three-tier fair value hierarchy and prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. In determining fair value, the NSO utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement. There have been no changes in the methodologies used at September 30, 2021 and 2020.

Much of the information used to determine fair values is highly subjective and judgmental in nature; therefore, the results may not be precise. In addition, estimates of cash flows, risk characteristics, credit quality, and interest rates are all subject to change. Since the fair values are estimated as of the statement of financial position dates, the amounts which will actually be realized upon settlement or maturity of the various instruments could be significantly different than the estimates.

Property and equipment:

Property and equipment having a unit cost greater than \$5,000 and a useful life of more than one year are capitalized at cost when purchased. Donations of property and equipment are recorded at estimated fair value at the donation date. Depreciation is computed over the estimated useful lives of the assets (4 - 7 years) using the straight-line method, beginning the first month after the asset is placed in service. Leasehold improvements are depreciated over the shorter of the estimated useful life of the related asset or the lease term, without any consideration of any lease renewal option.

The NSO's management assesses the carrying value of its long-lived assets for impairment when circumstances warrant such a review. If management determines that impairment has occurred, a loss is recognized, and the carrying values are reduced to their estimated fair values. Based on its review, management recorded an

THE NATIONAL SERVICE OFFICE FOR NURSE-FAMILY PARTNERSHIP AND CHILD FIRST

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

(IN THOUSANDS)

1. Description of Organization and summary of significant accounting policies (continued):

Property and equipment (continued):

impairment loss of \$93 in 2021. There was no impairment loss recorded during the year ending September 30, 2020.

Revenue recognition:

Contributions and grants:

Contributions and grants received that benefit the general public are recorded as support with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Amounts are recognized at fair value when the donor makes a promise to give to the NSO that is, in substance, unconditional. Conditional contributions and grants — that is, those with a measurable performance or other barrier and a right of return or release — are recorded when the conditions upon which they depend have been met.

Contributions and grants that are restricted by the donor are recorded as an increase in net assets with donor restrictions depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. All contributions and grants with donor restrictions that are met in the same year as receipt are classified first as restricted, and then as without donor restrictions as the conditions are met and the restrictions are released.

Consequently, as of September 30, 2021, conditional contributions approximating \$21,455, have not been recognized in the accompanying statements of activities. Of the total conditional contributions, all amounts represent agreements that are conditioned upon the achievement of milestones under the contribution agreements.

The organization may, for various reasons, occasionally decide to return a contribution or portion thereof to a donor. When this occurs the organization reports contribution revenue net of any returned contributions. A total of \$24 in contributions were returned during 2021. No contributions were returned in 2020.

The NSO reports contributions of services and goods as revenue without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Donated services are also concurrently recorded as expense. NFP received in-kind contributions of \$416 and \$1,596 for the years ended September 30, 2021 and 2020, respectively, which were comprised primarily of donated goods, consulting and legal services, and donated marketable securities. The related expenses for donated services of \$31 and \$267 for the years ended September 30, 2021 and 2020, respectively, were recognized within the statements of functional expenses as follows: donated consulting services were included in program services and legal fees were included in management, general, and administrative. Donated goods of \$104 and \$1,291 the years ended September 30, 2021 and 2020, respectively, were distributed during the same fiscal year and were recognized within the statements of functional expenses as program services. The NSO has a policy to sell donated securities as soon as practical after they are received. For the year ended September 30, 2021 and 2020, donated stock totaled \$281 and \$38, respectively.

When the NSO receives contributions for the benefit of designated beneficiaries, and thus acts more as a conduit, the pass-through contribution is recognized as a liability and not as revenue. Assets held for the benefit of others are recorded as a liability. As of September 30, 2021 and 2020, NFP held assets in custody for the benefit of others totaling \$-0- and \$378, respectively (Note 7).

THE NATIONAL SERVICE OFFICE FOR NURSE-FAMILY PARTNERSHIP AND CHILD FIRST

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

(IN THOUSANDS)

1. Description of Organization and summary of significant accounting policies (continued):

Revenue recognition (continued):

Contributions and grants (continued):

Fundraising revenues are recognized either as received, or upon completion of the specified fundraising event when the amount can be 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.

During the year ended September 30, 2020, the NSO received additional conditional commitments without donor restrictions totaling \$70.5 million in support of an organizational growth plan (the plan). As these commitments are contingent upon the organization's achievement of certain future milestones, no corresponding pledges receivable have been recorded and the organization will recognize revenue to support the plan upon achievement of certain milestones. During the year ended September 30, 2021 and 2020 the organization recognized as revenue and received payments totaling \$18,400 and \$22,100, respectively, which it considers as support without donor restrictions for the plan and has included in contributions without donor restrictions for the year.

Concentration:

The NSO received 68% of 2021 contribution revenue effectively from or directed by two sources and 70% of 2020 contribution revenue from or directed by a single source donor.

Site and education revenues:

The Organization recognizes revenue at an amount that reflects the consideration to which the Organization expects to be entitled in exchange for transferring goods and services to its customers using the following five step process:

1. Identify the contract(s) with custom
2. Identify the performance obligation(s) in the contract
3. Determine the transaction price
4. Allocate the transaction price to performance obligations in the contract
5. Recognize revenue when (or as) the Organization satisfies a performance obligation

The Organization enters into written contracts with network partners, affiliates, and states authorizing them to provide NFP and the programs as NSO implementing network partners, affiliates, and states. Site revenues primarily consist of revenue earned from network partners, affiliate agencies, and states for consulting and program support services. These services are recognized as revenue when the services are provided, or are supported by a contract for which the NSO recognizes revenue ratably over the contract period. Accordingly, site revenues received prior to the end of the fiscal year for services performed in a subsequent fiscal year are deferred. No single network partner, affiliate, or state agency represents greater than 10% of total site revenues for the years ended September 30, 2021 or 2020.

Education revenues consist of revenue from training courses provided to nurse home visitors, supervisors, and administrators as it relates to proper implementation of the NSO's programs. Revenue is recognized once the training is provided.

THE NATIONAL SERVICE OFFICE FOR NURSE-FAMILY PARTNERSHIP AND CHILD FIRST

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

(IN THOUSANDS)

1. Description of Organization and summary of significant accounting policies (continued):

Revenue recognition (continued):

Site and education revenues (continued):

Management regularly reviews accounts receivable to evaluate collectability. Based upon the specific customer's history, the applicable contract and the outstanding balance, management records an allowance for doubtful accounts for those accounts specifically identified as potentially uncollectable. At September 30, 2021 and 2020, management has recorded an allowance for doubtful accounts of \$87 and \$17, respectively.

Accounts receivable are generally considered to be past due, with certain exceptions, when the balance is outstanding for more than 90 days. Accounts receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Expenses:

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated benefit each area of the NSO operations and include facilities costs, including depreciation and insurance, project management and information technology services. Expenses are allocated based on full-time equivalent staff positions.

Advertising, enrollment promotion:

Advertising costs are expensed as incurred. The NSO uses advertising primarily to promote its programs to the individuals that it serves, as well as to provide awareness to the public of its services. Advertising and marketing expense was \$801 and \$848 for the years ended September 30, 2021 and 2020, respectively.

Distributions and grants payable:

Starting with the year ended September 30, 2018, the NSO has frequently entered into grant agreements with network partners to expand the NFP program. The payments under the agreement are contingent on the achievement of certain milestones. Any payments authorized but not yet paid at year-end are reported as liabilities. Grants scheduled for payment more than one year in the future have not been discounted to net present value because the discount is not significant.

Taxes:

The NSO is 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 NSO received final determination as a public charity under Section 501(c)(3) of the IRC in December 2007. The NSO assesses the likelihood of the financial statement effect of a tax position that should be recognized when it is more likely than not that the position will be sustained upon examination by a taxing authority based on the technical merits of the tax position, circumstances, and information available as of the reporting date. Management does not believe that there are any tax positions that would result in an asset or liability for taxes being recognized in the financial statements.

THE NATIONAL SERVICE OFFICE FOR NURSE-FAMILY PARTNERSHIP AND CHILD FIRST

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

(IN THOUSANDS)

1. Description of Organization and summary of significant accounting policies (continued):

Taxes (continued):

The NSO's policy is to recognize interest and penalties accrued on any unrecognized tax positions as a component of income tax expense. As of September 30, 2021 and 2020, the NSO did not have any accrued interest or penalties associated with any unrecognized tax positions, nor was any interest expense or penalties recognized during the years ended September 30, 2021 and 2020.

Change in accounting principle:

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). Subsequent to May 2014, the FASB has issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB Accounting Standards Codification (ASC) 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The financial statements reflect the application of ASC 606 guidance beginning October 1, 2020 under the modified retrospective approach. No cumulative-effect adjustment to net assets was recorded as the adoption of Topic 606 did not significantly impact the NSO's reported historical revenue.

Recent and upcoming accounting pronouncements:

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The ASU is intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets. The new standard takes effect for fiscal year 2023 for NSO. Management is currently evaluating the potential impact of this ASU on NSO's financial statements.

Management has evaluated other recently issued accounting pronouncements and does not believe that any of these pronouncements will have an impact on NSO's financial statements.

THE NATIONAL SERVICE OFFICE FOR NURSE-FAMILY PARTNERSHIP AND CHILD FIRST

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

(IN THOUSANDS)

1. Description of Organization and summary of significant accounting policies (continued):

Use of estimates:

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

Reclassifications:

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent events:

Management evaluated subsequent events through February 3, 2022, the date that NFP's financial statements were available to be issued.

2. Liquidity and availability:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are included below. None of the financial assets that are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the balance sheet date.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 19,237	\$ 14,756
Accounts receivable, net	1,645	3,005
Contributions receivable	2,656	476
Investments	<u>26,963</u>	<u>26,619</u>
Less: Net Assets With Donor Restriction	<u>(8,233)</u>	<u>(2,492)</u>
Total	<u>\$ 42,268</u>	<u>\$ 42,364</u>

As part of the liquidity management plan, cash in excess of daily requirements is put into an overnight sweep account or other short-term investments.

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3. Contributions receivable:

Contributions receivable consists of the following at September 30, 2021 and 2020:

<u>Type of Donor</u>	<u>2021</u>	<u>2020</u>
Individuals	\$ 5,418	\$ 146
Public support	55	28
Corporate	135	5
Foundations and organizations	<u>1,698</u>	<u>297</u>
Sub-total	<u>7,306</u>	<u>476</u>
Discount on pledges receivable	<u>(48)</u>	<u>-</u>
Total	<u>\$ 7,258</u>	<u>\$ 476</u>

Amounts scheduled to be received within the next twelve months were recorded at their net realizable value. At September 30, 2021 amounts are scheduled to be collected as follows:

<u>Year ending September 30,</u>	
2022	\$ 2,656
2023	1,950
2024	1,350
2025	<u>1,350</u>
Total contributions receivable	<u>\$ 7,306</u>

4. Investments:

Investments are classified as short-term or long-term based on maturity date although all securities are marketable. Securities held at September 30, 2021 and 2020 consist of publicly traded government, money market, exchange-traded funds and corporate debt instruments ranging in credit quality from Aaa to Baa2 with total value by instrument type indicated as follows:

	<u>2021</u>	<u>2020</u>
Government obligations	\$ 10,214	\$ 10,051
Corporate obligations	13,862	16,407
Exchange-traded funds:		
Equity – domestic	1,128	-
Equity – international	337	-
Fixed income	1,294	-
Interest receivable	<u>128</u>	<u>161</u>
Total investments	<u>\$ 26,963</u>	<u>\$ 26,619</u>

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4. Investments (continued):

The following schedule summarizes the investment income in the statements of activities for the years ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest income	\$ 462	\$ 421
Net realized and unrealized (losses) gains	<u>(262)</u>	<u>644</u>
Total investment income	<u>\$ 200</u>	<u>\$ 1,065</u>

Net realized and unrealized gains are primarily due to fluctuations in market return.

5. Fair value measurements:

The following details the related fair value measurement as of September 30, 2021 and 2020:

	<u>Level</u>	<u>2021</u>	<u>2020</u>
Government obligations	2	\$ 10,214	\$ 10,051
Corporate debt securities	2	13,862	16,407
Exchange-traded funds:			
Equity – domestic	1	1,128	-
Equity – international	1	337	-
Fixed income	1	<u>1,294</u>	<u>-</u>
Total		<u>\$ 26,835</u>	<u>\$ 26,458</u>

6. Property and equipment:

Property and equipment consists of the following at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Software and computers	\$ 5,635	\$ 5,199
Leasehold improvements	117	85
Furniture and fixtures	322	293
Software in progress	<u>1,361</u>	<u>936</u>
	7,435	6,513
Accumulated depreciation	<u>(4,363)</u>	<u>(3,213)</u>
Property and equipment, net	<u>\$ 3,072</u>	<u>\$ 3,300</u>

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7. Pass-through grants:

During the year ended September 30, 2016, the NSO began an initiative in South Carolina, which contains a Pay for Success (PFS) element. Under agreements for this initiative NFP receives monies from philanthropic funders, some of which it is required to distribute to network partners which are part of the initiative. Due to the timing specified by the related funding and distribution schedules the NSO holds some of these funds for a period of time. Accordingly, the amount of these funds held at September 30, 2020 was \$378 and is reflected as pass through grants on the statements of financial position. At September 30, 2021, there were no funds held as pass-through grants under this program.

8. Distributions and grants payable:

Grants which have been approved and are payable within the next fiscal year were \$1,677 and \$2,742 at September 30, 2021 and 2020, respectively.

The organization also has contingent grants which are not to be paid unless and until certain milestones at future dates, are met. These contingent grants, which are to be paid from both net assets with donor restrictions and net assets without donor restrictions, are therefore not recorded as liabilities. Contingent grants to be paid from net assets with donor restrictions were \$306 and \$543, respectively, as of September 30, 2021 and 2020. Contingent grants to be paid from net assets without donor restrictions were \$5,026 and \$6,108, respectively, as of September 30, 2021 and 2020.

9. Net assets – With donor restrictions:

Net assets with donor restrictions are the total restricted assets offset by related payables and commitments. Net assets with donor restrictions at September 30, 2021 and 2020 are available for the following purposes or periods:

	2021	2020
For receipt in subsequent periods	\$ 6,581	\$ 289
Program implementation	<u>1,652</u>	<u>2,203</u>
Total net assets with donor restrictions	<u>\$ 8,233</u>	<u>\$ 2,492</u>

10. Related party transactions:

The NSO recorded site revenues of \$33 and \$37 from Parkland Health and Hospital System, a network partner in Texas for program services provided in 2021 and 2020, respectively. The President and Chief Executive Officer of Parkland Health and Hospital System is an NSO Board member.

In 2021 and 2020, the NSO incurred expenses totaling \$1,090 and \$1,159, respectively from the University of Colorado, Prevention Research Center (PRC), for research, program innovations, and Dyadic Assessment of Naturalistic Caregiver-Child Experiences (DANCE) education and licenses. As of September 30, 2021 and 2020, the NSO owed \$350 and \$1,159, respectively, to PRC, which is included in accounts payable and accrued expenses on the accompanying statements of financial position. Dr. David Olds is the Program founder and the Director of the PRC.

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11. Retirement plan:

The NSO sponsors a 401(k) plan through its Professional Employer Organization relationship with Automatic Data Processing, Inc., covering all employees who have completed three months of service and have attained age 21. The NSO contributes 10% of the employees' compensation, which vests immediately. For the years ended September 30, 2021 and 2020, total 401(k) contributions were \$1,408 and \$1,135 respectively.

12. Commitments:

The NSO leased office space in Denver, Colorado during fiscal year ending September 30, 2021 under a lease with a term from December 1, 2016 through October 2024. Additional office space was also leased in Trumbull, Connecticut, under an operating lease which expires July 31, 2026. The agreements contain certain inducements and allowances that are recognized over the term of the lease, as well as cost escalation clauses. The NSO recognizes rental expense on a straight-line basis over the term of the lease.

The NSO is responsible for a proportionate share of the building common area maintenance and other operating costs.

Lease expense for the years ended September 30, 2021 and 2020 was \$333 and \$275, respectively. Following are the minimum future operating lease payments:

Year ending September 30,	
2022	\$ 397
2023	406
2024	415
2025	71
2026	<u>60</u>
Total lease commitment	<u>\$ 1,349</u>

13. Business Combination:

On December 1, 2020, NFP and Child First -- two separate organizations -- combined to become the National Service Office for Nurse-Family Partnership and Child First (NSO). The boards of directors of NFP and Child First believe the accomplishment of their respective missions will be better met through a strategic business combination of Child First with and into NFP, with NFP as the surviving organization in the business combination. Bringing these two programs together will allow the NSO to provide broader services to more moms, babies, and families.

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13. Business Combination (continued):

NFP acquired the assets and liabilities of Child First and there was no consideration exchanged in the transaction. Accordingly, the excess of Child First's assets over its liabilities as of the date of the acquisition is recorded as an inherent contribution in the statement of activities. The fair values of Child First's assets and liabilities, including donor-imposed restrictions on December 1, 2020 are as follows:

Cash	\$	1,168
Accounts receivable		145
Contributions receivable		226
Prepaid expenses and other assets		57
Investments		2,529
Property, plant and equipment (net)		<u>146</u>
Total assets		<u>4,271</u>
Accounts payable		101
Deferred revenue		<u>430</u>
Total liabilities		<u>531</u>
Total net assets	\$	<u><u>3,740</u></u>

Net assets transferred on December 1, 2020, were both with and without donor restrictions as follows:

Net assets without donor restrictions	\$	3,092
Net assets with donor restrictions		<u>648</u>
Total net assets		<u><u>3,740</u></u>

The revenue and increase in net assets with donor restrictions and without donor restrictions associated with Child First for the period December 1, 2020 to September 20, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Contributions	\$ 5	\$ 773	\$ 778
Site revenues	1,119	-	1,119
Investment income	234	-	234
Release from restrictions	<u>1,414</u>	<u>(1,414)</u>	<u>-</u>
Total	<u>2,772</u>	<u>(641)</u>	<u>2,131</u>
EXPENSES	<u>(5,200)</u>		<u>(5,200)</u>
CHANGE IN NET ASSETS	<u>(2,428)</u>	<u>(641)</u>	<u>(3,069)</u>
NET ASSETS, at December 1, 2020	<u>3,092</u>	<u>648</u>	<u>3,740</u>
NET ASSETS, end of year	<u><u>\$ 664</u></u>	<u><u>\$ 7</u></u>	<u><u>\$ 671</u></u>

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14. Risks and Uncertainties:

Global Pandemic

The COVID-19 global pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the NSO, COVID-19 may impact various parts of its fiscal year 2022 operations and financial results, including potential cancellations of conferences, meetings, educational trainings, investment valuations, and other programmatic activity that could result in a reduction of related revenues and expenses. Management believes the NSO is taking appropriate actions to mitigate any potential negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

State Grants

The NSO participates in certain state and federal grant programs. The use of grants in programs is subject to future review by the grantors. Such reviews may result in the NSO having liabilities to the grantors.