

***GOOD BEGINNINGS OF
SULLIVAN COUNTY, INC.***

**Audited Financial Statements
June 30, 2011**

AUDITED FINANCIAL STATEMENTS

GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.

June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Good Beginnings of Sullivan County, Inc.

We have audited the accompanying statement of financial position of Good Beginnings of Sullivan County, Inc. (a nonprofit organization) as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Good Beginnings of Sullivan County, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Lawrence E. Reed, CPA, PC

January 12, 2012
Vermont License No. 1039

STATEMENT OF FINANCIAL POSITION
GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.
June 30, 2011
(With Comparative Totals for June 30, 2010)

	June 30, 2011			As of June 30, 2010
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Totals (Memorandum)</u>
ASSETS				
Cash and cash equivalents	\$ 111,843	\$ -	\$ 111,843	\$ 78,886
Cash, restricted	4,122	-	4,122	-
Grants and accounts receivable	41,262	3,500	44,762	59,527
Prepaid expenses	2,584	-	2,584	10,814
Equipment, furniture and fixtures	44,560	-	44,560	44,560
Accumulated depreciation	(42,260)	-	(42,260)	(37,908)
TOTAL ASSETS	\$ 162,111	\$ 3,500	\$ 165,611	\$ 155,879
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 1,737	\$ -	\$ 1,737	\$ 2,793
Accrued expenses	34,821	-	34,821	31,946
Fiscal agency funds	4,122	-	4,122	-
Note payable	6,200	-	6,200	55,200
TOTAL LIABILITIES	46,880	-	46,880	89,939
NET ASSETS	115,231	3,500	118,731	65,940
TOTAL LIABILITIES AND NET ASSETS	\$ 162,111	\$ 3,500	\$ 165,611	\$ 155,879

See notes to financial statements.

STATEMENT OF FINANCIAL ACTIVITIES
GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.
Year Ended June 30, 2011
(With Comparative Totals for the Year Ended June 30, 2010)

	Year Ended June 30, 2011			Year Ended June 30, 2010
	Unrestricted	Temporarily Restricted	Total	Totals (Memorandum)
SUPPORT AND REVENUE				
Governmental support	\$ 399,498	\$ 14,000	\$ 413,498	\$ 465,218
Program fees	271,829	-	271,829	225,793
Donated inventory	49,147	-	49,147	50,765
Contributions	17,206	3,105	20,311	35,697
Foundations and trusts	12,000	12,000	24,000	43,000
Fundraising	15,027	-	15,027	10,307
Donated services	3,500	-	3,500	-
Federal health insurance credit	2,442	-	2,442	-
Net assets released from restrictions	25,605	(25,605)	-	-
TOTAL SUPPORT AND REVENUE	796,254	3,500	799,754	830,780
EXPENSES				
Program services				
Comprehensive Family Support	187,747	-	187,747	185,659
Home Visiting	159,647	-	159,647	141,018
Child Health	141,750	-	141,750	128,920
Parent Aide	54,868	-	54,868	-
Prenatal	40,587	-	40,587	41,279
Second Beginnings	39,154	-	39,154	22,107
Supervised Visitations	37,958	-	37,958	51,968
Community health	-	-	-	28,551
Healthy Tomorrows	-	-	-	27,386
	661,711	-	661,711	626,888
Management and general	85,252	-	85,252	77,392
TOTAL EXPENSES	746,963	-	746,963	704,280
CHANGE IN NET ASSETS	49,291	3,500	52,791	126,500
Net assets at Beginning of Year	65,940	-	65,940	(60,560)
NET ASSETS AT END OF YEAR	\$ 115,231	\$ 3,500	\$ 118,731	\$ 65,940

See notes to financial statements.

STATEMENT OF CASH FLOWS
GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.
Year Ended June 30, 2011
(With Comparative Totals for the Year Ended June 30, 2010)

	Year Ended June 30, 2011			Year Ended June 30, 2010
	Unrestricted	Temporarily Restricted	Total	Totals (Memorandum)
OPERATING ACTIVITIES				
Change in net assets	\$ 49,291	\$ 3,500	\$ 52,791	\$ 126,500
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities				
Depreciation	4,352	-	4,352	6,021
(Increase) decrease in operating assets:				
Grants and accounts receivable	18,265	(3,500)	14,765	(15,889)
Prepaid expenses	8,230	-	8,230	(9,668)
Increase (decrease) in operating liabilities:				
Accounts payable	(1,056)	-	(1,056)	(16,871)
Accrued expenses	2,875	-	2,875	-
Fiscal sponsor funds	4,122	-	4,122	(9,445)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	86,079	-	86,079	80,648
FINANCING ACTIVITIES				
Proceeds from bank loan	-	-	-	5,500
Principle payments on bank loan	(49,000)	-	(49,000)	(20,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(49,000)	-	(49,000)	(14,500)
INCREASE (DECREASE) IN CASH	37,079	-	37,079	66,148
Beginning cash and cash equivalents	78,886	-	78,886	12,738
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 115,965</u>	<u>\$ -</u>	<u>\$ 115,965</u>	<u>\$ 78,886</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Interest paid	<u>\$ 982</u>			<u>\$ 2,249</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.
June 30, 2011

NOTE A -- ORGANIZATION

Good Beginnings of Sullivan County, Inc. (the "Organization") is a non-profit organization established in 2004 for the purpose of promoting the physical and emotional health and safety of women and families expecting infants or with young children. The organization serves individuals in New Hampshire's Sullivan and lower Grafton Counties and is funded primarily through governmental financial assistance and program fees, which accounts for 52% and 32%, respectively, of total revenues. A Board of Directors sets policy for the Organization and an Executive Director has the responsibility of direct management.

NOTE B -- SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation: In accordance with Financial Accounting Standards Board (FASB) ASC 958-200, *Financial Statements of Not-for-Profit Organizations*, the Organization reports information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets: includes assets for which no restrictions as to use or program period have been imposed by the donor; unrestricted contributions, including service contracts, and unconditional promises to give are recorded as increases in the period received; expenses are recorded as decreases to unrestricted net assets when incurred.

Temporarily restricted net assets: includes assets for which restrictions have been imposed as to use or program period; support and revenue is recognized as an increase when the restricted award or contribution is received; when the temporary restriction has expired the amount is reported as a separate reclassification which decreases temporarily restricted net assets and increases unrestricted net assets.

Permanently restricted net assets: includes assets for which the donor has imposed a permanent restriction on the use of the funds. As of June 30, 2011, the organization had no permanently restricted net assets.

Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents: The Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Advertising Costs: The Organization uses advertising to promote its programs and to fill positions. The costs of advertising are expensed as incurred. During the year ended June 30, 2011 advertising costs totaled \$1,576.

NOTE B -- SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment: Property, equipment, and improvements with costs greater than \$500 are carried at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations as to how long the asset must be maintained, the Organization reports expirations of donor restrictions and reclassifies temporarily restricted net assets to unrestricted net assets when the donated or acquired assets are placed in service as instructed by the donor. Property, equipment, and improvements are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2011 totaled \$4,352. Major maintenance activities are capitalized if they extend the life of the property or equipment.

Revenue Recognition: The Organization accounts for contributions in accordance with FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*. Under such statement, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Unrestricted contributions, and restricted contributions for which the restrictions expire in the fiscal year in which the contributions are recognized, are reported as increases in unrestricted net assets. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted assets are reclassified to unrestricted assets.

Contributed Services, Facilities and Materials: During the year ended June 30, 2011 the Organization received direct and indirect contributions of services, facilities and materials related to its programs. The Organization operates a thrift store which sells donated clothing and housing goods. Because of the difficulty of valuing the donated inventory when it is received, the inventory donation is recognized as income on the statement of activities when the inventory is sold. In addition, the Organization received contributed professional services of \$3,500 during the year ended June 30, 2011. The criterion for recognition of such volunteer effort under generally accepted accounting principles is that the services must be specialized skills, which would be purchased if not donated. This condition has been met. These contributed service revenues, and corresponding expenses, have been recognized in the accompanying statement of activities. No other amounts for donated services have been recognized in the accompanying statement of activities because the criteria for recognition under FASB ASC 958-605 have not been satisfied.

Functional Allocation of Expenses: The costs of providing program activities have been summarized on a functional basis in the statement of activities. Support expenses not directly chargeable to program costs are allocated based on direct program expenses, units of service, or other program related methods. Accordingly, certain costs have been allocated between program services and supporting services.

NOTES TO FINANCIAL STATEMENTS
GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.
June 30, 2011

NOTE B -- SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes: The Organization is exempt from federal and state taxes under section 501(c)(3) of the Internal Revenue Code and has been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

In accordance with FASB ASC 740-10, the Organization is under the opinion that there are no unsustainable positions that have been taken in regards to Federal or State income tax reporting requirements. Accordingly, management is not aware of any unrecognized tax benefits or liabilities that should be recognized in the accompanying statements.

NOTE C -- GRANTS AND ACCOUNTS RECEIVABLE

The Organization is awarded cost reimbursement grants by various organizations. Revenues associated with these grants are recorded as the associated expenses are incurred. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Grants and accounts receivable totaling \$41,262 as of June 30, are composed of the following balances due for services provided and are deemed by management to be fully collectible:

Accounts receivable	\$38,820
Grants receivable	3,500
Healthcare credit receivable	<u>2,442</u>
	<u>\$41,262</u>

NOTE D -- CONTINGENT LIABILITIES

The Organization receives funds under various state and federal programs. Under the terms of these programs, the Organization is required to expend the funds within the designated period for purposes specified in the grant proposal. If expenditures of the funds were found not to have been made in compliance with the proposal, the Organization might be required to return this portion of funds to the grantor. As of June 30, 2011, there were no known disallowed expenditures and, therefore, no provision has been made for this contingency.

NOTE E -- SUPPORT FROM GOVERNMENTAL UNITS

The Organization receives a substantial amount of its support from federal and state governments. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's ability to continue its programs and activities.

NOTES TO FINANCIAL STATEMENTS
GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.
June 30, 2011

NOTE F -- BANK LINE OF CREDIT

On August 7, 2007, the board of directors approved a bank line of credit in the amount of \$80,000. The terms of the credit line include monthly payments of interest, based on the New York Prime rate adjusted monthly, and full payment of the outstanding balance for a minimum period of 30 days each year. As of June 30, 2011, the outstanding balance was \$6,200. The interest rate as of June 30, 2011 was 3.25%.

NOTE G -- OPERATING LEASE ARRANGEMENTS

On June 21, 2010 the Organization signed a new lease for the facilities. That agreement extended the lease period for three months, July 1, 2010 to September 30, 2010, and provided for automatic three month renewals thereafter at a monthly rent of \$3,500. For the year-ended June 30, 2011 rent expense totaled \$42,000.

On September 17, 2010, the Organization entered a new four year lease for a photocopier. The minimum monthly rent under the agreement is \$188 based on a maximum of 7,500 copies at 2.5 cents per copy. If the monthly usage exceeds 7,500, the organization pays the additional amount due at the per copy rate the following month. The organization can purchase the copier at any time before the end of the lease term, and any accrued equity will be a considered in determining the final purchase price. Total rental expense for the year-ended June 30, 2011 was \$2,594 including \$294 for amounts over the monthly minimum. Future minimum rental payments are as follows:

Fiscal year ending June 30, 2012	\$2,250
2013	2,250
2014	<u>375</u>
	<u>\$4,875</u>

NOTE H -- FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, the Organization is required to disclose certain information about its financial assets and liabilities. As of June 30, 2011 and 2010 the Organization has no financial instruments subject to the disclosure requirements. Cash, cash equivalents, prepaid rent and security deposits, prepaid insurance, accounts payable and accrued expenses, advances refundable, and escrow funds reported in the statement of financial position approximate fair values because of the short maturities of those instruments or because of the fixed rate of interest required to be paid.

NOTES TO FINANCIAL STATEMENTS
GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.
June 30, 2011

NOTE I -- SUBSEQUENT EVENTS

Management considered subsequent events through January 12, 2012, the date the financial statements were available to be issued. On November 1, 2011 the Organization entered into a lease agreement for the lease of space to open an additional thrift store in a neighboring town. The lease stipulates a monthly rent payment of \$1,250 for an initial term of one year plus utilities and assessments for water and sewer. As of the date of this report the Organization had not yet occupied the building.

On December 1, 2011, the Organization terminated its existing office and retail space lease and entered into a lease on new office space and retail space. The new lease agreement stipulates an initial lease period of twenty months with one twelve-month automatic renewal. Under the new lease the monthly rental payment is \$1,150, plus utilities, excluding water, and includes a real estate tax escalation clause.

SUPPLEMENTAL INFORMATION

LAWRENCE E. REED, CPA, PC
Professional Corporation
C E R T I F I E D P U B L I C A C C O U N T A N T

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTAL INFORMATION**

To the Board of Directors
Good Beginnings of Sullivan County, Inc.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Good Beginnings of Sullivan County, Inc. taken as a whole. The accompanying schedule of functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lawrence E. Reed, CPA, PC

January 12, 2012
Vermont License No. 1039

SCHEDULE OF FUNCTIONAL EXPENSES
GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.
Year Ended June 30, 2011
(With Comparative Totals for the Year Ended June 30, 2010)

			Program Services							Year Ended June 30, 2010	
	<u>Total All Services</u>	<u>Mgt. & General</u>	<u>Total</u>	<u>Family Support</u>	<u>Home Visiting</u>	<u>Child Health</u>	<u>Parent Aide</u>	<u>Prenatal</u>	<u>Second Beginnings</u>	<u>Supervised Visitation</u>	<u>Totals (Memorandum)</u>
Salaries and wages	\$472,778	\$61,275	\$411,503	\$ 95,367	\$107,073	\$ 93,007	\$ 38,196	\$23,323	\$ 27,197	\$ 27,340	\$ 405,518
Employee benefits	59,320	7,836	51,484	13,743	13,956	13,853	3,511	4,117	1,645	659	53,404
Occupancy	47,440	-	47,440	17,857	10,073	9,195	2,548	2,465	3,103	2,199	94,935
Professional fees	42,051	4,200	37,851	15,352	4,896	4,586	2,639	5,074	1,355	3,949	36,331
Payroll taxes	34,938	4,394	30,544	7,016	7,888	6,917	2,873	1,705	2,070	2,075	29,809
Supplies	31,157	3,242	27,915	23,759	848	1,061	169	766	1,217	95	24,701
Mileage reimb.	28,235	-	28,235	6,383	8,806	7,906	3,480	1,187	291	182	23,527
Telephone	8,720	-	8,720	2,544	2,128	1,896	508	507	691	446	7,717
Training & dev.	6,125	65	6,060	2,563	1,057	850	180	778	320	312	6,061
Insurance	5,799	2,110	3,689	1,074	933	752	216	215	290	209	5,833
Depreciation	4,352	564	3,788	878	986	856	352	215	249	252	6,020
Printing	2,826	-	2,826	811	706	624	161	162	215	147	3,578
Advertising	1,576	201	1,375	321	230	182	18	57	489	78	3,724
Interest	982	982	-	-	-	-	-	-	-	-	2,249
Postage	664	383	281	79	67	65	17	16	22	15	873
TOTAL EXPENSES	<u>\$746,963</u>	<u>\$85,252</u>	<u>\$661,711</u>	<u>\$187,747</u>	<u>\$159,647</u>	<u>\$141,750</u>	<u>\$ 54,868</u>	<u>\$40,587</u>	<u>\$ 39,154</u>	<u>\$ 37,958</u>	<u>\$ 704,280</u>