

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

**Audited Financial Statements
June 30, 2010**

AUDITED FINANCIAL STATEMENTS

GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.

June 30, 2010

CONTENTS

	Page (s)
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 8
Independent Auditor's Report on Supplemental Information	9
Schedule of Functional Expenses	10

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

17 River Street, PO Box 760
Chester, VT 05143
(802) 875-2322
Fax (802) 875-2324
Email lercpa@vermontel.net

Member of American Institute of
Certified Public Accountants

Licensed in Vermont
and New Hampshire

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, 2010, 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, 2010 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

December 14, 2010
Vermont License No. 1039

STATEMENT OF FINANCIAL POSITION
GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.
June 30, 2010
(With Comparative Totals for June 30, 2009)

	June 30, 2010			As of June 30, 2009
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Totals (Memorandum)</u>
ASSETS				
Cash and cash equivalents	\$ 78,886	\$ -	\$ 78,886	\$ 12,738
Grants and accounts receivable	59,527	-	59,527	43,638
Prepaid expenses	10,814	-	10,814	1,146
Equipment, furniture and fixtures	44,560	-	44,560	44,560
Accumulated depreciation	(37,908)	-	(37,908)	(31,887)
TOTAL ASSETS	<u>\$ 155,879</u>	<u>\$ -</u>	<u>\$ 155,879</u>	<u>\$ 70,195</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 2,793	\$ -	\$ 2,793	\$ 19,664
Accrued expenses	31,946	-	31,946	41,391
Note payable	55,200	-	55,200	69,700
TOTAL LIABILITIES	<u>89,939</u>	<u>-</u>	<u>89,939</u>	<u>130,755</u>
NET ASSETS	<u>65,940</u>	<u>-</u>	<u>65,940</u>	<u>(60,560)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 155,879</u>	<u>\$ -</u>	<u>\$ 155,879</u>	<u>\$ 70,195</u>

See notes to financial statements.

STATEMENT OF FINANCIAL ACTIVITIES
GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.
Year Ended June 30, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	Year Ended June 30, 2010			Year Ended June 30, 2009
	Unrestricted	Temporarily Restricted	Total	Totals (Memorandum)
SUPPORT AND REVENUE				
Governmental support	\$ 465,218	\$ -	\$ 465,218	\$ 372,530
Program fees	225,793	-	225,793	188,514
Donated inventory	50,765	-	50,765	63,972
Contributions	18,397	17,300	35,697	40,515
Foundations and trusts	15,000	28,000	43,000	42,000
Fundraising	10,307	-	10,307	9,344
Net assets released from restrictions	53,528	(53,528)	-	-
TOTAL SUPPORT AND REVENUE	839,008	(8,228)	830,780	716,875
EXPENSES				
Program services				
Comprehensive Family Support	185,659	-	185,659	157,543
Home Visiting	141,018	-	141,018	113,918
Child Health	128,920	-	128,920	113,685
Supervised Visitations	51,968	-	51,968	54,492
Prenatal	41,279	-	41,279	48,165
Community health	28,551	-	28,551	77,554
Healthy Tomorrows	27,386	-	27,386	35,577
Second Beginnings	22,107	-	22,107	14,307
Fatherhood	-	-	-	42,388
Tobacco Prevention	-	-	-	37,955
	626,888	-	626,888	695,584
Management and general	77,392	-	77,392	64,715
TOTAL EXPENSES	704,280	-	704,280	760,299
CHANGE IN NET ASSETS	134,728	(8,228)	126,500	(43,424)
Net assets at Beginning of Year	(68,788)	8,228	(60,560)	(17,136)
NET ASSETS AT END OF YEAR	\$ 65,940	\$ -	\$ 65,940	\$ (60,560)

See notes to financial statements.

STATEMENT OF CASH FLOWS
GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.
Year Ended June 30, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	Year Ended June 30, 2010			Year Ended June 30, 2009
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Totals (Memorandum)</u>
OPERATING ACTIVITIES				
Change in net assets	\$ 134,728	\$ (8,228)	\$ 126,500	\$ (43,424)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities				
Depreciation	6,021	-	6,021	6,260
(Increase) decrease in operating assets:				
Grants and accounts receivable	(12,889)	-	(12,889)	(6,525)
Prepaid expenses	(9,668)	-	(9,668)	(94)
Increase (decrease) in operating liabilities:				
Accounts payable	(16,871)	-	(16,871)	6,310
Accrued expenses	(9,445)	-	(9,445)	3,573
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	91,876	(8,228)	83,648	(33,900)
FINANCING ACTIVITIES				
Proceeds from bank loan	5,500	-	5,500	34,000
Principle payments on bank loan	(20,000)	-	(20,000)	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(14,500)	-	(14,500)	34,000
INCREASE (DECREASE) IN CASH	77,376	(8,228)	69,148	100
Beginning cash and cash equivalents	4,510	8,228	12,738	12,638
ENDING CASH AND CASH EQUIVALENTS	\$ 81,886	\$ -	\$ 81,886	\$ 12,738
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Interest paid	\$ 2,249			\$ 2,597

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.
June 30, 2010

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 the Sullivan County New Hampshire area and is funded primarily through governmental financial assistance and program fees. 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; 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, 2010, 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, 2010 advertising costs totaled \$3,726.

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, 2010 totaled \$6,021. Major maintenance activities are capitalized if they extend the life of the property or equipment.

Revenue Recognition: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

Contributed Services, Facilities and Materials: During the year ended June 30, 2010 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. No 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.

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.

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.

NOTE C -- GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable totaling \$56,527 as of June 30, are composed of balances due for services provided and are deemed by management to be fully collectible.

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, 2010 and 2009, 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.

NOTE F -- LEASING ARRANGEMENTS

On September 3, 2009 the Organization signed a lease for their facilities, including office, conference, thrift store and visitation space, under an annual lease agreement that will automatically renew. The term is for the lease period is July 1, 2009 to June 30, 2010 and stipulates an annual rent of \$88,050 and a 5% yearly rent increase upon the automatic renewal.

On June 21, 2010 the Organization signed a new lease for the facilities. The lease period extends for three months, July 1, 2010 to September 30, 2010, and will automatically renew every three months. The annual stipulated rent is \$42,000.

NOTE G -- 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, 2010, the outstanding balance was \$55,200. The interest rate as of June 30, 2010 was 3.25%.

NOTES TO FINANCIAL STATEMENTS
GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.
June 30, 2010

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.

Financial Instruments

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

- Cash, cash equivalents, grants and accounts receivable, prepaid expenses, accounts payable and accrued expenses, and note payable: The carrying amounts 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.

The estimated fair values of the Organization's financial instruments are as follows:

	Carrying Amount	Fair Value
Financial assets:		
Cash and cash equivalents	\$78,886	\$78,886
Grants and accounts receivable	56,527	56,527
Prepaid expenses	10,814	10,814
Financial liabilities:		
Accounts payable	2,793	2,793
Accrued expenses	31,946	31,946
Note payable	55,200	55,200

NOTE I – SUBSEQUENT EVENTS

Management considered subsequent events through December 14, 2010, the date the financial statements were available to be issued.

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

17 River Street, PO Box 760
Chester, VT 05143
(802) 875-2322
Fax (802) 875-2324
Email lercpa@vermontel.net

Member of American Institute of
Certified Public Accountants

Licensed in Vermont
and New Hampshire

**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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Lawrence E. Reed, CPA, PC

December 14, 2010
Vermont License No. 1039

SCHEDULE OF FUNCTIONAL EXPENSES
GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.
Year Ended June 30, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

			Program Services								Year Ended June 30, 2009	
			Total	Family Support	Home Visiting	Child Health	Supervised Visitation	Prenatal	Community Health	Healthy Tomorrows	Second Beginnings	Totals (Memorandum)
Salaries and wages	\$405,518	\$47,227	\$358,291	\$ 95,939	\$ 90,076	\$ 81,806	\$ 23,207	\$24,400	\$ 14,359	\$ 10,996	\$ 17,508	\$ 419,923
Occupancy	94,935	-	94,935	26,532	17,377	16,470	22,902	3,563	3,243	4,673	175	97,201
Employee benefits	53,404	6,232	47,172	13,299	12,517	12,337	1,095	3,724	1,556	2,494	150	47,701
Professional fees	36,331	10,275	26,056	9,967	455	503	605	3,701	6,395	3,230	1,200	93,696
Payroll taxes	29,809	3,478	26,331	6,964	6,593	5,953	1,783	1,772	1,088	820	1,358	30,561
Supplies	24,701	2,225	22,476	19,178	341	95	10	696	54	907	1,195	19,149
Mileage reimb.	23,527	-	23,527	6,569	6,450	6,174	565	1,347	989	1,433	-	21,229
Telephone	7,717	-	7,717	1,990	2,125	2,019	246	430	375	532	-	7,675
Training & dev.	6,061	1,451	4,610	758	927	65	970	807	9	1,074	-	3,633
Depreciation	6,020	701	5,319	1,424	1,337	1,215	345	362	213	163	260	6,260
Insurance	5,833	964	4,869	1,504	1,270	1,252	124	253	200	266	-	5,425
Advertising	3,724	1,859	1,865	495	579	377	28	73	55	15	243	1,934
Printing	3,578	318	3,260	803	897	584	78	125	-	773	-	2,538
Interest	2,249	2,249	-	-	-	-	-	-	-	-	-	2,597
Postage	873	413	460	237	74	70	10	26	15	10	18	777
TOTAL EXPENSES	\$704,280	\$77,392	\$626,888	\$185,659	\$141,018	\$128,920	\$ 51,968	\$41,279	\$ 28,551	\$ 27,386	\$ 22,107	\$ 760,299