

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

**Audited Financial Statements
June 30, 2009**

AUDITED FINANCIAL STATEMENTS

GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.

June 30, 2009

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Professional Corporation

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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, 2009, 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, 2009 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 7, 2010
Vermont License No. 1039

STATEMENT OF FINANCIAL POSITION
GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.
June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 4,510	\$ 8,228	\$ 12,738
Grants and accounts receivable	43,638	-	43,638
Prepaid expenses	1,146	-	1,146
Equipment, furniture and fixtures	44,560	-	44,560
Accumulated depreciation	<u>(31,887)</u>	<u>-</u>	<u>(31,887)</u>
TOTAL ASSETS	<u>\$ 61,967</u>	<u>\$ 8,228</u>	<u>\$ 70,195</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ 19,664	\$ -	\$ 19,664
Accrued expenses	41,391	-	41,391
Note payable	<u>69,700</u>	<u>-</u>	<u>69,700</u>
TOTAL LIABILITIES	130,755	-	130,755
NET ASSETS	<u>(68,788)</u>	<u>8,228</u>	<u>(60,560)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 61,967</u>	<u>\$ 8,228</u>	<u>\$ 70,195</u>

See notes to financial statements.

STATEMENT OF FINANCIAL ACTIVITIES
GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.
Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Governmental financial assistance	\$ 372,530	\$ -	\$ 372,530
Program fees	188,514	-	188,514
Donated inventory	63,972	-	63,972
Contributions	40,515	-	40,515
Foundations and trusts	5,000	37,000	42,000
Fundraising (net of costs of \$5,608)	9,344	-	9,344
Net assets released from restrictions	<u>55,313</u>	<u>(55,313)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	735,188	(18,313)	716,875
EXPENSES			
Program services			
Comprehensive Family Support	157,543	-	157,543
Home Visiting	113,918	-	113,918
Child Health	113,685	-	113,685
Community health	77,554	-	77,554
Supervised Visitations	54,492	-	54,492
Prenatal	48,165	-	48,165
Fatherhood	42,388	-	42,388
Tobacco Prevention	37,955	-	37,955
Healthy Tomorrows	35,577	-	35,577
Second Beginnings	<u>14,307</u>	<u>-</u>	<u>14,307</u>
	695,584	-	695,584
Management and general	<u>64,715</u>	<u>-</u>	<u>64,715</u>
TOTAL EXPENSES	<u>760,299</u>	<u>-</u>	<u>760,299</u>
CHANGE IN NET ASSETS	(25,111)	(18,313)	(43,424)
Net assets at Beginning of Year	<u>(43,677)</u>	<u>26,541</u>	<u>(17,136)</u>
NET ASSETS AT END OF YEAR	<u>\$ (68,788)</u>	<u>\$ 8,228</u>	<u>\$ (60,560)</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS
GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.
Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
OPERATING ACTIVITIES			
Change in net assets	\$ (25,111)	\$ (18,313)	\$ (43,424)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities			
Depreciation	6,260	-	6,260
(Increase) decrease in operating assets:			
Grants and accounts receivable	(6,525)	-	(6,525)
Prepaid expenses	(94)	-	(94)
Increase (decrease) in operating liabilities:			
Accounts payable	6,310	-	6,310
Advances refundable	-	-	-
Accrued expenses	3,573	-	3,573
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(15,587)</u>	<u>(18,313)</u>	<u>(33,900)</u>
FINANCING ACTIVITIES			
Borrowings from restricted funds	(13,903)	13,903	-
Proceeds from bank loan	34,000		34,000
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>20,097</u>	<u>13,903</u>	<u>34,000</u>
INCREASE (DECREASE) IN CASH	4,510	(4,410)	100
Beginning cash and cash equivalents	<u>-</u>	<u>12,638</u>	<u>12,638</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 4,510</u>	<u>\$ 8,228</u>	<u>\$ 12,738</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest paid \$ 2,597

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.

June 30, 2009

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 Statement of Financial Accounting Standards (SFAS) No. 117, *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, 2009, 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, 2009 advertising costs totaled \$1,934

NOTES TO FINANCIAL STATEMENTS

GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.

June 30, 2009

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, 2009 totaled \$6,260. 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.

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.

Contributed Services, Facilities and Materials: During the year ended June 30, 2009, 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 SFAS No. 116 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).

NOTES TO FINANCIAL STATEMENTS

GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.

June 30, 2009

NOTE C -- GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable totaling \$43,638 as of June 30, 2009 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, 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

During the year ended June 30, 2009 the bank foreclosed on the property the Organization leases. The leases in existence at that time were voided as part of the foreclosure process. After the foreclosure, the Organization continued to pay rent under the original lease terms on a month-to-month basis to the new owner. Rental expense for the year ended June 30, 2009 totaled \$89,400.

On September 3, 2009 the Organization signed a lease for the same facilities, including office, conference, thrift store and visitation space, under an annual lease agreement that will automatically renew. The initial lease term is for the period 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.

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, 2009, the outstanding balance was \$69,700. The interest rate as of June 30, 2009 was 3.25%.

NOTES TO FINANCIAL STATEMENTS

GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.

June 30, 2009

NOTE H -- FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with SFAS No. 157, Fair Value Measurements, 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	\$12,738	\$12,738
Grants and accounts receivable	43,638	43,638
Prepaid expenses	1,146	1,146
Financial liabilities:		
Accounts payable	19,664	19,664
Accrued expenses	41,391	41,391
Note payable	69,700	69,700