

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

**Audited Financial Statements
June 30, 2012**

AUDITED FINANCIAL STATEMENTS

GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.

June 30, 2012

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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, 2012, 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, 2012, 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

February 7, 2013
Vermont License No. 1039

STATEMENT OF FINANCIAL POSITION
GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.
June 30, 2012
(With Comparative Totals for June 30, 2011)

	June 30, 2012			As of June 30, 2011
	Unrestricted	Temporarily Restricted	Total	Totals (Memorandum)
ASSETS				
Cash and cash equivalents	\$ 56,088	\$ 18,000	\$ 74,088	\$ 111,843
Cash, restricted	180	-	180	4,122
Grants and accounts receivable	45,700	3,500	49,200	44,762
Prepaid expenses	4,618	-	4,618	2,584
Equipment, furniture and fixtures	50,240	-	50,240	44,560
Accumulated depreciation	<u>(44,965)</u>	<u>-</u>	<u>(44,965)</u>	<u>(42,260)</u>
TOTAL ASSETS	<u>\$ 111,861</u>	<u>\$ 21,500</u>	<u>\$ 133,361</u>	<u>\$ 165,611</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 21,242	\$ -	\$ 21,242	\$ 1,737
Accrued expenses	37,936	-	37,936	34,821
Unemployment benefits payable	3,152	-	3,152	-
Advances refundable	9,916	-	9,916	-
Fiscal agency funds	180	-	180	4,122
Note payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,200</u>
TOTAL LIABILITIES	72,426	-	72,426	46,880
NET ASSETS	<u>39,435</u>	<u>21,500</u>	<u>60,935</u>	<u>118,731</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 111,861</u>	<u>\$ 21,500</u>	<u>\$ 133,361</u>	<u>\$ 165,611</u>

See notes to financial statements.

STATEMENT OF FINANCIAL ACTIVITIES
GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.
Year Ended June 30, 2012
(With Comparative Totals for the Year Ended June 30, 2011)

	Year Ended June 30, 2012			Year Ended June 30, 2011
	Unrestricted	Temporarily Restricted	Total	Totals (Memorandum)
SUPPORT AND REVENUE				
Governmental support	\$ 363,614	\$ -	\$363,614	\$ 413,498
Program fees	200,062	-	200,062	271,829
Foundations and trusts	18,000	30,000	48,000	24,000
Donated inventory	32,708	-	32,708	49,147
Contributions	27,647	-	27,647	20,311
Donated services	22,790	-	22,790	3,500
Fundraising	13,222	-	13,222	15,027
Reimbursed expenses	5,807	-	5,807	-
Federal health insurance credit	1,196	-	1,196	2,442
Net assets released from restrictions	12,000	(12,000)	-	-
TOTAL SUPPORT AND REVENUE	697,046	18,000	715,046	799,754
EXPENSES				
Program services				
Comprehensive Family Support	195,208	-	195,208	187,747
Child Health	124,202	-	124,202	141,750
Home Visiting	114,598	-	114,598	159,647
Healthy Families	103,008	-	103,008	-
Parent Aide	83,747	-	83,747	54,868
Second Beginnings	51,283	-	51,283	39,154
PREP	21,746	-	21,746	-
Supervised Visitations	4,569	-	4,569	37,958
Prenatal	-	-	-	40,587
	698,361	-	698,361	661,711
Management and general	74,481	-	74,481	85,252
TOTAL EXPENSES	772,842	-	772,842	746,963
CHANGE IN NET ASSETS	(75,796)	18,000	(57,796)	52,791
Net assets at Beginning of Year	115,231	3,500	118,731	65,940
NET ASSETS AT END OF YEAR	<u>\$ 39,435</u>	<u>\$ 21,500</u>	<u>\$ 60,935</u>	<u>\$ 118,731</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS
GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.
Year Ended June 30, 2012
(With Comparative Totals for the Year Ended June 30, 2011)

	Year Ended June 30, 2012			Year Ended June 30, 2011
	Unrestricted	Temporarily Restricted	Total	Totals (Memorandum)
OPERATING ACTIVITIES				
Change in net assets	\$ (75,796)	\$ 18,000	\$(57,796)	\$ 52,791
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities				
Depreciation	2,705	-	2,705	4,352
(Increase) decrease in operating assets:				
Grants and accounts receivable	(4,438)	-	(4,438)	14,765
Prepaid expenses	(2,034)	-	(2,034)	8,230
Increase (decrease) in operating liabilities:				
Accounts payable	19,505	-	19,505	(1,056)
Accrued expenses	3,115	-	3,115	2,875
Unemployment benefits payable	3,152	-	3,152	-
Advances refundable	9,916	-	9,916	-
Fiscal sponsor funds	(3,942)	-	(3,942)	4,122
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(47,817)	18,000	(29,817)	86,079
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of equipment	(5,680)	-	(5,680)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(5,680)	-	(5,680)	-
FINANCING ACTIVITIES				
Principle payments on bank loan	(6,200)	-	(6,200)	(49,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(6,200)	-	(6,200)	(49,000)
INCREASE (DECREASE) IN CASH	(59,697)	18,000	(41,697)	37,079
Beginning cash and cash equivalents	115,965	-	115,965	78,886
ENDING CASH AND CASH EQUIVALENTS	\$ 56,268	\$ 18,000	\$ 74,268	\$ 115,965
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Interest paid	\$ 11			\$ 982

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.
June 30, 2012

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 70%, 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, 2012, 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, 2012 advertising costs totaled \$6,294.

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, 2012 totaled \$2,705. 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, 2012 the Organization received direct and indirect contributions of services, facilities and materials related to its programs and fundraising efforts. The Organization operates two thrift stores 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 totaling \$22,790 during the year ended June 30, 2012. 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, 2012

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). The Center's Forms 990, Return of Organization Exempt from Income Tax, for the years ending June 30, 2012, 2011 and 2010 are subject to examination by the IRS, generally for three years after they were filed. 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 \$48,004 as of June 30, 2012 are composed of the following balances due for services provided and are deemed by management to be fully collectible:

Accounts receivable	\$44,504
Grants receivable	<u>3,500</u>
	<u>\$48,004</u>

NOTE D -- SELF FUNDED UNEMPLOYMENT BENEFITS PAYABLE

The Organization elected to be self-funded for the purpose paying employee unemployment claims costs under the New Hampshire Department of Employment Security Statute Chapter 282-A:69 II. Accordingly, the Organization pays unemployment claims at the time an employee files for benefit payments rather than paying quarterly contributions to the New Hampshire unemployment fund. During the year ended June 30, 2012, the Organization implemented a workforce reduction plan as a part of restructuring its operations as a result of state funding reductions and new restrictions on Medicaid benefit payments. The workforce reduction resulted in unemployment claims payments totaling \$10,705 for fiscal 2012. During the first quarter of fiscal 2013 the Organization paid additional unemployment claims totaling \$3,152 related to the fiscal 2012 workforce reduction. This amount has been recorded on the statement of financial position as a liability for self-funded unemployment benefits payable. As of the audit report date, management had no plans for further workforce reductions in fiscal 2013.

NOTES TO FINANCIAL STATEMENTS
GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.
June 30, 2012

NOTE E -- 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 to not 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, 2012, there were no known disallowed expenditures and, therefore, no provision has been made for this contingency.

NOTE F -- BANK LINE OF CREDIT

The Organization has a bank line of credit in the amount of \$80,000. The bank holds a security interest in all the assets of the Organization. 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, 2012, the outstanding balance was \$0.

NOTE G -- OPERATING LEASE ARRANGEMENTS

On December 1, 2011 the Organization signed a lease for a new facility. The lease agreement stipulates an initial lease period of twenty months with one twelve-month automatic renewal. The monthly rental payment is \$1,150, plus utilities and includes a real estate tax escalation clause. Total lease payments on this facility for the year ended June 30, 2012 were \$8,050.

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. Total lease payments on this facility for the year ended June 30, 2012 were \$8,750.

The Organization leases a photocopier with a minimum monthly rent of \$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. Total rental expense for the year-ended June 30, 2012 was \$2,594.

Future minimum rental payments are as follows for the fiscal years ending June 30:

2013	\$22,300
2014	14,175
2015	<u>1,150</u>
	<u>\$37,625</u>

NOTES TO FINANCIAL STATEMENTS
GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.
June 30, 2012

NOTE H -- 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 I -- 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, 2012 the Organization has no financial instruments subject to the disclosure requirements. Cash and cash equivalents, grants and accounts receivable, prepaid expenses, accounts payable, accrued expenses, self-funded unemployment benefits payable, advances refundable, fiscal agency funds, and note payable are 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.

NOTE J -- RESTRICTIONS ON ASSETS

As of June 30, 2012 temporary restrictions on net assets totaling \$21,500 were primarily related to funds received for the healthy families America and prenatal programs that had not yet been expended.

NOTE K -- SUBSEQUENT EVENTS

Management considered subsequent events through February 7, 2013, 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

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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

February 7, 2013
Vermont License No. 1039

SCHEDULE OF FUNCTIONAL EXPENSES
GOOD BEGINNINGS OF SULLIVAN COUNTY, INC.
Year Ended June 30, 2012
(With Comparative Totals for the Year Ended June 30, 2011)

	Total All Services	Mgt. & General	Program Services									Year Ended June 30, 2011
			Total	Family Support	Child Health	Home Visiting	Healthy Families	Parent Aide	Second Beginnings	PREP	Supervised Visitation	Totals (Memorandum)
Salaries and wages	\$437,904	\$52,453	\$385,451	\$ 116,108	\$ 69,605	\$ 73,199	\$ 37,205	\$50,788	\$ 26,577	\$ 9,533	\$ 2,436	\$ 472,778
Employee benefits	78,088	10,461	67,627	20,627	16,386	11,843	6,704	8,704	1,660	1,522	181	59,320
Professional fees	73,560	-	73,560	12,211	12,389	9,195	25,959	11,256	1,210	-	1,340	42,051
Occupancy	54,329	592	53,737	16,210	11,109	6,817	1,986	4,287	12,986	142	200	47,440
Payroll taxes	32,518	4,501	28,017	8,648	5,141	5,573	2,249	3,703	1,965	526	212	34,938
Supplies	26,070	2,064	24,006	8,430	987	937	7,827	402	2,328	3,092	3	31,157
Training & dev.	24,311	-	24,311	2,943	-	-	15,526	-	-	5,842	-	6,125
Mileage reimb.	18,938	-	18,938	4,614	3,907	4,006	2,623	2,692	64	1,030	2	28,235
Telephone	7,774	837	6,937	1,886	1,760	1,056	187	656	1,319	-	73	8,720
Advertising	6,294	996	5,298	366	329	207	1,617	129	2,642	-	8	1,576
Insurance	6,021	964	5,057	1,616	1,502	915	132	565	250	-	77	5,799
Printing	2,968	310	2,658	720	557	337	725	210	89	-	20	2,826
Depreciation	2,705	324	2,381	717	430	452	230	314	164	59	15	4,352
Postage	1,351	968	383	112	100	61	38	41	29	-	2	664
Interest	11	11	-	-	-	-	-	-	-	-	-	982
TOTAL EXPENSES	\$772,842	\$74,481	\$698,361	\$ 195,208	\$124,202	\$114,598	\$ 103,008	\$83,747	\$ 51,283	\$21,746	\$ 4,569	\$ 746,963