

Bright Beginnings, Inc.
Financial Statements
September 30, 2014 and 2013



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JOHN T SQUIRE CPA
SUSAN A LEMKIN CPA
CHRISTOPHER J MATHEWS CPA
BART J LANMAN CPA CFP®
CLINTON L LEHMAN CPA CMA CFM
ROBERT J KOPERA CPA
NANCY C JOHNSON CPA
LISA M BLACKMORE CPA MBA

SQUIRE, LEMKIN + COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS
111 ROCKVILLE PIKE
SUITE 475
ROCKVILLE MARYLAND 20850
301 424 6800 TELEPHONE
301 424 6892 FACSIMILE
EMAIL SUPPORT@MYCPAS.COM
WWW.MYCPAS.COM

INDEPENDENT AUDITORS' REPORT

Board of Directors
Bright Beginnings, Inc.
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of Bright Beginnings, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors consider 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 Bright Beginnings, Inc. as of September 30, 2014 and 2013, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2015, on our consideration of Bright Beginnings, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bright Beginnings, Inc.'s internal control over financial reporting and compliance.

Syware, Lumbert + Co., LLP

January 6, 2015

BRIGHT BEGINNINGS, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30,

ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS:		
Cash and equivalents	\$ 2,890,623	\$ 2,550,445
Certificates of deposit	1,649,986	1,647,176
Contributions receivable, net	143,031	114,477
Accounts and contracts receivable	447,067	348,138
Prepaid expenses	51,470	43,325
TOTAL CURRENT ASSETS	<u>\$ 5,182,177</u>	<u>\$ 4,703,561</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 24,827</u>	<u>\$ 14,363</u>
OTHER ASSETS:		
Deposits	\$ 30,000	\$ 30,000
Contributions receivable, net, less current portion	49,771	26,571
TOTAL OTHER ASSETS	<u>\$ 79,771</u>	<u>\$ 56,571</u>
TOTAL ASSETS	<u><u>\$ 5,286,775</u></u>	<u><u>\$ 4,774,495</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 74,691	\$ 42,118
Accrued salaries and related liabilities	187,933	146,356
Deferred revenue	69,011	-
TOTAL CURRENT LIABILITIES	<u>\$ 331,635</u>	<u>\$ 188,474</u>
NET ASSETS:		
Unrestricted:		
Undesignated	\$ 1,016,682	\$ 992,462
Board designated	500,000	500,000
Total unrestricted	<u>\$ 1,516,682</u>	<u>\$ 1,492,462</u>
Temporarily restricted	3,438,458	3,093,559
TOTAL NET ASSETS	<u>\$ 4,955,140</u>	<u>\$ 4,586,021</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,286,775</u></u>	<u><u>\$ 4,774,495</u></u>

The accompanying notes are an integral part of these financial statements.

BRIGHT BEGINNINGS, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30,

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:						
Federal government grants	\$ 1,177,643	\$ -	\$ 1,177,643	\$ 803,522	\$ -	\$ 803,522
Other grants and contracts	924,995	42,643	967,638	1,074,961	-	1,074,961
Foundation and corporate support	733,216	980,120	1,713,336	561,900	292,645	854,545
Contributions	210,808	58,000	268,808	288,633	-	288,633
Donated services and equipment	361,190	-	361,190	272,262	-	272,262
Special events	101,152	-	101,152	86,638	-	86,638
Interest and other income	5,658	-	5,658	6,527	-	6,527
Net assets released from restriction	735,864	(735,864)	-	253,858	(253,858)	-
TOTAL REVENUE AND SUPPORT	\$ 4,250,526	\$ 344,899	\$ 4,595,425	\$ 3,348,301	\$ 38,787	\$ 3,387,088
OPERATING EXPENSES:						
Program services:						
Education	\$ 2,423,466	\$ -	\$ 2,423,466	\$ 2,302,962	\$ -	\$ 2,302,962
Family services	429,226	-	429,226	453,881	-	453,881
Evening care	119,024	-	119,024	184,476	-	184,476
Therapeutic services	20,698	-	20,698	18,622	-	18,622
Program expansion	638,643	-	638,643	254,742	-	254,742
Total program services	\$ 3,631,057	\$ -	\$ 3,631,057	\$ 3,214,683	\$ -	\$ 3,214,683
Supporting services:						
Management and general	\$ 337,931	\$ -	\$ 337,931	\$ 233,133	\$ -	\$ 233,133
Development	257,318	-	257,318	337,786	-	337,786
Total supporting services	\$ 595,249	\$ -	\$ 595,249	\$ 570,919	\$ -	\$ 570,919
TOTAL OPERATING EXPENSES	\$ 4,226,306	\$ -	\$ 4,226,306	\$ 3,785,602	\$ -	\$ 3,785,602
CHANGE IN NET ASSETS	\$ 24,220	\$ 344,899	\$ 369,119	\$ (437,301)	\$ 38,787	\$ (398,514)
NET ASSETS, BEGINNING OF YEAR	1,492,462	3,093,559	4,586,021	1,929,763	3,054,772	4,984,535
NET ASSETS, END OF YEAR	\$ 1,516,682	\$ 3,438,458	\$ 4,955,140	\$ 1,492,462	\$ 3,093,559	\$ 4,586,021

The accompanying notes are an integral part of these financial statements.

BRIGHT BEGINNINGS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Program Services					Total Program Services	Supporting Services		Total Expenses
	Education	Family Services	Evening Care	Therapeutic Services	Program Expansion		Management and General	Development	
Compensation and benefits	\$ 1,615,020	\$ 325,748	\$ 100,802	\$ 17,157	\$ 38,235	\$ 2,096,962	\$ 189,197	\$ 106,396	\$ 2,392,555
Consulting services:									
Capital campaign	-	-	-	-	371,336	371,336	-	-	371,336
Therapeutic, health and tracking	107,035	1,100	51	9	20	108,215	97	57	108,369
Other	161,422	21,238	6,276	1,105	2,506	192,547	12,289	19,491	224,327
Communications	53,483	7,118	1,752	308	699	63,360	3,319	7,458	74,137
Occupancy costs	126,898	23,968	7,565	1,264	2,786	162,481	13,301	7,666	183,448
Family services	8,717	31,000	-	-	-	39,717	-	-	39,717
Equipment supplies	25,505	4,411	1,127	198	450	31,691	13,848	1,255	46,794
Special events, meetings and travel	8,345	4,677	47	8	19	13,096	2,512	105,403	121,011
Publication and printing	-	-	-	-	-	-	-	7,957	7,957
Classroom expenses	223,735	1,517	212	542	85	226,091	1,145	236	227,472
Insurance and other fees	15,455	2,607	605	107	8,441	27,215	39,632	1,146	67,993
In-kind expenses	77,851	5,842	587	-	214,066	298,346	62,591	253	361,190
TOTAL EXPENSES	\$ 2,423,466	\$ 429,226	\$ 119,024	\$ 20,698	\$ 638,643	\$ 3,631,057	\$ 337,931	\$ 257,318	\$ 4,226,306

The accompanying notes are an integral part of these financial statements.

BRIGHT BEGINNINGS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Program Services					Total Program Services	Supporting Services		Total Expenses
	Education	Family Services	Evening Care	Therapeutic Services	Program Expansion		Management and General	Development	
Compensation and benefits	\$ 1,473,433	\$ 319,756	\$ 150,263	\$ 12,747	\$ 55,218	\$ 2,011,417	\$ 155,437	\$ 137,577	\$ 2,304,431
Consulting services:									
Capital campaign	-	-	-	-	12,675	12,675	-	18,893	31,568
Therapeutic, health and tracking	136,502	-	-	-	-	136,502	-	-	136,502
Other	132,437	72,913	28,773	1,438	-	235,561	18,255	140,825	394,641
Communications	36,786	4,336	2,118	251	16,403	59,894	2,196	7,758	69,848
Occupancy costs	118,073	28,663	511	3,429	-	150,676	10,405	7,461	168,542
Family services	9,892	22,044	-	-	-	31,936	-	-	31,936
Equipment supplies	16,621	3,707	1,840	221	4,161	26,550	12,968	1,839	41,357
Special events, meetings and travel	909	612	59	6	-	1,586	4,901	13,429	19,916
Publication and printing	2,992	-	-	-	4,439	7,431	516	8,912	16,859
Classroom expenses	256,794	294	145	437	-	257,670	-	-	257,670
Insurance and other fees	8,106	1,556	767	93	-	10,522	28,455	1,092	40,069
In-kind expenses	110,417	-	-	-	161,846	272,263	-	-	272,263
TOTAL EXPENSES	\$ 2,302,962	\$ 453,881	\$ 184,476	\$ 18,622	\$ 254,742	\$ 3,214,683	\$ 233,133	\$ 337,786	\$ 3,785,602

The accompanying notes are an integral part of these financial statements.

BRIGHT BEGINNINGS, INC.

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED SEPTEMBER 30,	
	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 369,119	\$ (398,514)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	11,740	11,188
(Increase) decrease in contributions receivable	(51,754)	74,626
Increase in accounts and contracts receivable	(98,929)	(70,770)
Increase in prepaid expenses	(8,145)	(16,972)
Increase (decrease) in accounts payable	32,573	(32,157)
Increase in accrued salaries and related liabilities	41,577	2,612
Increase in deferred revenue	69,011	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 365,192</u>	<u>\$ (429,987)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	\$ (22,203)	\$ -
Reinvested interest income	(2,811)	(3,875)
Deposit	-	(25,000)
NET CASH USED IN INVESTING ACTIVITIES	<u>\$ (25,014)</u>	<u>\$ (28,875)</u>
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	\$ 340,178	\$ (458,862)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>2,550,445</u>	<u>3,009,307</u>
CASH AND EQUIVALENTS, END OF YEAR	<u><u>\$ 2,890,623</u></u>	<u><u>\$ 2,550,445</u></u>

The accompanying notes are an integral part of these financial statements.

BRIGHT BEGINNINGS, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014 AND 2013

Note 1. **Organization and Significant Accounting Policies**

Organization - Bright Beginnings, Inc. (the Organization) was incorporated under the laws of the District of Columbia to operate as a nonprofit corporation. The Organization was formed by members of the Junior League of Washington (JLW), also a not-for-profit organization, to establish a child development day care center to provide a safe, nurturing and high quality service to homeless preschool children. It is funded primarily by government and private foundation grants. The Organization is governed by an independent Board of Directors responsible for the formulation and issuance of policies, regulations and procedures pertaining to the operation of the day care center.

The following is a summary of the Organization's significant programs:

Education - The Organization provides high quality educational services that prepare approximately 150 homeless children for kindergarten each year with a developmentally appropriate curriculum for children living in chaotic environments. The Organization offers homeless children a consistent group of caring adults and friends to learn with them, play with them and explore the world with them inside and outside of classroom. The educational curriculum includes field trips that expose children to new experiences and special art, music, environmental and science programs that enrich and reinforce what children are learning in the classrooms.

Family Services - The Organization provides family services which include onsite crisis management and case management for approximately 70 homeless families each year. Specific family services provided include: parent service which stabilize homeless families and parents' education, training and employment goals, and key referrals for social services, parenting, health, abuse/neglect and stress reduction training.

Evening Care - The Organization provides an Early Learning Evening Care program, which includes comprehensive education, therapeutic and family services for parents working non-traditional hours or attending class or job training programs in the evening. This program is an extension of the accredited day program and offers activities that stimulate children's physical, social, intellectual, and emotional growth with special emphasis on supporting emergent literacy and math skills.

Therapeutic Services - The Organization provides unique and comprehensive, onsite therapeutic services for homeless children that include assessments for 100 percent of enrolled children, therapy, individualized plans, and coordination between parents, therapists, and teachers for the children who need them. Additional ongoing therapeutic services have been needed by at least one-third of the homeless children enrolled in the program.

BRIGHT BEGINNINGS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

Note 1. **Organization and Significant Accounting Policies** (Continued)

A summary of the Organization's significant accounting policies follows:

Basis of Presentation - The financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets. At September 30, 2014 and 2013, the Organization did not have any permanently restricted net assets.

Restricted and Unrestricted Revenue - The Organization recognizes contributions as revenue when they are received or unconditionally pledged. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Grants received from the federal government are recognized as revenue only to the extent of expenditures incurred.

Contributions and grants are temporarily restricted to the extent that their availability for operations is restricted by donors based upon the passage of time or the occurrence of certain events. Such restrictions apply only to contributions and grants that have the characteristics of contributions, and not to "exchange" transactions in which the Organization provides a service or product to the funding agency. As such, contributions are recognized as revenue at the earlier of when they are received or unconditionally pledged.

The Organization reports in-kind gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Cash and Equivalents - For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Certificates of Deposit - Certificates of deposit are recorded at fair value which approximates cost and accrued interest.

Contributions Receivable - Contributions are recorded at the earlier of the date received or the date of receipt of a donor's non-contingent promise or pledge. Conditional promises to give are not included as support until the conditions are substantially met. Based on historical experience, management has recorded an allowance for uncollectible contributions receivable totaling \$12,800 and \$0 for the years ending September 30, 2014 and 2013 respectively.

Accounts and Contracts Receivable - Account and contracts receivable are for reimbursement of costs incurred under federal awards and contract agreements. Billed amounts represent invoices that have been prepared and sent to the responsible organization. Receivables are carried at original invoice amounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

BRIGHT BEGINNINGS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

Note 1. **Organization and Significant Accounting Policies** (Continued)

Property and Equipment - Property and equipment is stated at cost, or if donated, at fair market value at the date of receipt. Depreciation is calculated using the straight-line method over the estimated useful life of the assets. The Organization's capitalization threshold is \$500. Upon disposal of depreciable assets, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is credited or charged to income. Maintenance and repairs are expenses as incurred.

Tax Exempt Status - The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Form 990, Return of Organization Exempt from Income Tax, for the fiscal years ended September 30, 2011 - 2013 are subject to review and examination by the Internal Revenue Service.

The Organization complies with the provisions of Financial Accounting Standards Board Codification topic *Accounting for Uncertainty in Income Taxes*. For the fiscal years ended September 30, 2014 and 2013, no unrecognized tax provision or benefit exists.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of the assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Reclassifications - Certain amounts in the 2013 financial statements have been reclassified to conform to the presentation of the 2014 financial statements.

Note 2. **Concentration of Credit Risk** - Financial instruments that potentially subject the Organization to concentrations of credit risk include cash deposits with commercial banks. The Organization's cash management policies limit its exposure to concentrations of credit risk by maintaining cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Cash deposits may, however, exceed the FDIC insurable limits at times throughout the year. Management does not consider this a significant concentration of credit risk.

BRIGHT BEGINNINGS, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014 AND 2013

Note 3. **Property and Equipment** - At September 30, 2014 and 2013, property and equipment consisted of:

	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 126,194	\$ 103,990
Equipment	58,809	74,941
Furniture and fixtures	-	1,700
Subtotals	<u>\$ 185,003</u>	<u>\$ 180,631</u>
Less, Accumulated depreciation and amortization	<u>(160,176)</u>	<u>(166,268)</u>
Total	<u><u>\$ 24,827</u></u>	<u><u>\$ 14,363</u></u>

Depreciation expense for the years ended September 30, 2014 and 2013 was \$11,740 and \$11,188, respectively.

Note 4. **Board Designated Net Assets** - The Organization's Board of Directors has designated \$500,000 of its unrestricted net assets to establish a Strategic Planning reserve fund to undertake strategic growth. This designated amount cannot be used by the Organization for operations.

Note 5. **Temporarily Restricted Net Assets** - Temporarily restricted net assets represent grants and contributions pledged or received as of the end of the fiscal year but not yet expended for their intended purpose.

The balance of temporarily restricted net assets as of September 30, 2014 and 2013 consists of the following:

	<u>2014</u>	<u>2013</u>
Purpose restricted:		
Capital campaign	\$ 2,768,468	\$ 2,773,542
Operating expenses - new center	150,000	150,000
Literacy	5,000	5,000
Playground renovation	7,736	5,000
Family wellness	25,000	50,000
Child health services	6,118	--
Family services	290,555	--
Workforce development	115,083	--
Other	22,532	--
Donated equipment	<u>3,072</u>	<u>13,882</u>
	<u><u>\$ 3,393,564</u></u>	<u><u>\$ 2,997,424</u></u>
Time restricted:		
Corp/Foundation grants	\$ 10,750	\$ 66,000
Individual pledges	<u>34,144</u>	<u>30,135</u>
	<u><u>\$ 44,894</u></u>	<u><u>\$ 96,135</u></u>
Total	<u><u>\$ 3,438,458</u></u>	<u><u>\$ 3,093,559</u></u>

BRIGHT BEGINNINGS, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014 AND 2013

Note 6. **Capital Campaign** - The Organization has commenced a multi-year capital campaign to raise funds primarily targeted for the building of a new center. As of September 30, 2014 and 2013, total funds available to support capital campaign expenditures were \$2,768,468 and \$2,773,542, respectively.

As of September 30, 2014 and 2013, the Organization obtained conditional promises to give related to the capital campaign totaling \$100,000 and \$100,000 respectively. As these promises to give are conditional upon other factors occurring; they have been excluded from revenue and the amounts available for the capital campaign until such time as the conditions placed on the promises to give are met.

The following represents promises to give as of September 30, 2014 and 2013:

	2014	2013
Promises to give in less than one year	\$ 143,031	\$ 114,477
Promises to give in one to five years	49,771	26,571
Totals	\$ 192,802	\$ 141,048

The Organization discounts pledges receivable to their discounted present value of future cash flows, calculated using a discount rate equivalent to the Wall Street Journal prime rate at year end. The effect of the policy is as follows:

	2014	2013
Pledges receivable before the present value factor	\$ 211,293	\$ 141,048
Less, Allowance for doubtful accounts	12,800	--
Subtotal	\$ 198,493	\$ 141,048
Less, Discount (3.25%)	5,691	--
Totals	\$ 192,802	\$ 141,048

Note 7. **Donated Services and Equipment** - The Organization received donated professional services and supplies with a value of \$361,190 and \$272,262 for the years ended September 30, 2014 and 2013, respectively. These gifts have been reflected in the accompanying financial statements based on use.

Note 8. **Commitments** - The Organization is committed under a non-cancelable office lease for a period of five years expiring November 30, 2014. The lease provides for a base monthly payment of approximately \$7,200, adjusted annually by the landlord's choice of 2%, or actual pro rata increases in operating expenses.

Additionally, on March 18, 2008, the Organization entered into a three-year lease agreement for additional space at the same location effective on January 1, 2008. Under the terms of the lease, payments are made monthly in the original amount of \$2,451, subject to an annual increase of 3%.

BRIGHT BEGINNINGS, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014 AND 2013

Note 8. **Commitments** (Continued)

On November 3, 2011, the Organization amended the prior two lease agreements and added additional space in the same location. The lease agreement will expire on December 31, 2014 but the Organization has been granted an extension to September 30, 2015. The extension requires an approximate minimum amount of \$13,750 per month. Future obligations under the lease for the year ending September 30, 2015 are \$165,000.

Rent expense for the years ended September 30, 2014 and 2013 was \$166,397 and \$162,249, respectively.

Note 9. **Bright Beginnings Holdings, Inc.** - In February 2011, the Organization created Bright Beginnings Holdings, Inc. (the Corporation). The Corporation is organized to operate as a supporting organization for Bright Beginnings, Inc. under Section 509(a)(3) of the Internal Revenue Code. The Corporation will operate exclusively for charitable, educational, and scientific purposes, and the holding of real property in support and in furtherance of the work of the Organization. As of September 30, 2014 and 2013, the Corporation had no activities.

Note 10. **Subsequent events** - The Organization evaluated subsequent events for potential required disclosure through December 17, 2014 which is the date financial statements were available to be issued.

BRIGHT BEGINNINGS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

EIN NUMBER 52-1697917

<u>Federal Grantor/Pass-through Grantors/ Program or Cluster</u>	<u>CFDA Number</u>	<u>Pass-through Grantor Identifying Number</u>	<u>Federal Expenditures</u>
Head Start Cluster			
U.S. Department of Health and Human Services/United Planning Organization/Head Start and Early Head Start Programs	93.600	03CH0380/47	\$ 414,175
U.S. Department of Health and Human Services/Head Start and Early Head Start Programs	93.600	N/A	<u>536,187</u>
Total Head Start Cluster - Cluster			<u>\$ 950,362</u>
Department of Veterans Affairs The Community Partnership for the Prevention of Homelessness/ VA Homeless Providers Grant and Per Diem Program	64.024	SSVF-14DC022-BB0T	138,452
U.S. Drug Administration District of Columbia Office of the State Superintendent/Child and Adult Care Food Program	10.558	V-131	71,126
U.S. Department of Housing and Urban Development Local Initiatives Support Corporation/ Section 4 Capacity Building for Community Development and Affordable Housing	14.252	PA#43031-0006	<u>17,703</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,177,643</u></u>

BRIGHT BEGINNINGS, INC.

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

- Note 1. **Basis of Accounting and Presentation** - The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Bright Beginnings, Inc. and is presented on the accrual basis of accounting. The information in this schedule is in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.



JOHN T SQUIRE CPA
SUSAN A LEMKIN CPA
CHRISTOPHER J MATHEWS CPA
BART J LANMAN CPA CFP®
CLINTON L LEHMAN CPA CMA CFM
ROBERT J KOPERA CPA
NANCY C JOHNSON CPA
LISA M BLACKMORE CPA MBA

SQUIRE, LEMKIN + COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS
111 ROCKVILLE PIKE
SUITE 475
ROCKVILLE MARYLAND 20850
301 424 6800 TELEPHONE
301 424 6892 FACSIMILE
EMAIL SUPPORT@MYCPAS.COM
WWW.MYCPAS.COM

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Bright Beginnings, Inc.
Washington, D.C.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bright Beginnings, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 6, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bright Beginnings, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bright Beginnings, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Bright Beginnings, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bright Beginnings, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bright Beginnings, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bright Beginnings, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Syouse, Lemaire + Co., LLP

January 6, 2015



JOHN T SQUIRE CPA
SUSAN A LEMKIN CPA
CHRISTOPHER J MATHEWS CPA
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CLINTON L LEHMAN CPA CMA CFM
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ROCKVILLE MARYLAND 20850
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WWW.MYCPAS.COM

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Bright Beginnings, Inc.
Washington, D.C.

Report on Compliance for Each Major Federal Program

We have audited Bright Beginnings, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bright Beginnings, Inc.'s major federal programs for the year ended September 30, 2014. Bright Beginnings, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Bright Beginnings, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bright Beginnings, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bright Beginnings, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Bright Beginnings, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control over Compliance

Management of Bright Beginnings, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bright Beginnings, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bright Beginnings, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Sygnus, Lender + Co., LLP

January 6, 2015

BRIGHT BEGINNINGS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

____ Yes X No

Noncompliance material to financial statements noted?

____ Yes X No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?

____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

____ Yes X No

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

____ Yes X No

Identification of Major Programs:

CFDA Number(s)

93.600

Name of Federal Program or Cluster

U.S. Department of Health and Human Services/ United Planning Organization/ Head Start Cluster.

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

X Yes ____ No

BRIGHT BEGINNINGS, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

B. Findings - Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

D. Prior Year Audit Findings

None