

Debra A. Dobbins, P.C.

Certified Public Accountant

139 Billerica Road, Unit D-1
Chelmsford, MA 01824
TEL (978) 251-8830
FAX (978) 250-8830
www.dobbinscpa.com

To the Board of Directors of
Right Turn.Biz, Inc.

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying statement of financial position of Right Turn.Biz, Inc. (a nonprofit organization) as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the fiscal year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Right Turn.Biz, 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.

Debra A. Dobbins, CPA, P.C.

February 5, 2013

RIGHT TURN.BIZ, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS

CURRENT ASSETS

| | |
|-----------------------------|----------------|
| Cash | \$ 127,887 |
| Accounts receivable | 3,660 |
| Inventory | 112 |
| Prepaid expenses | 3,731 |
| <i>Total Current Assets</i> | <u>135,390</u> |

FIXED ASSETS

| | |
|--------------------------------|----------------|
| Computer equipment | 4,929 |
| Furniture & fixtures | 3,058 |
| Leasehold improvements | 50,268 |
| Vehicle | 1,775 |
| <i>Total Fixed Assets</i> | <u>60,030</u> |
| Less: Accumulated depreciation | <u>(6,082)</u> |
| <i>Net Fixed Assets</i> | 53,948 |

OTHER ASSETS

| | |
|-----------------------------|--------------|
| Net intangible assets | 5,245 |
| Refundable security deposit | 2,440 |
| <i>Total Other Assets</i> | <u>7,685</u> |

TOTAL ASSETS

\$ 197,023

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|-----------------------------------|---------------|
| Accounts payable | \$ 10,500 |
| Accrued payroll & payroll taxes | 14,820 |
| Current portion of long-term debt | 25,342 |
| <i>Total Current Liabilities</i> | <u>50,662</u> |

Long-term debt - net of current portion 42,025

TOTAL LIABILITIES

92,687

NET ASSETS

Unrestricted net assets 104,336

TOTAL NET ASSETS

104,336

TOTAL LIABILITIES AND NET ASSETS

\$ 197,023

See Accompanying Notes and Independent Auditor's Report

RIGHT TURN.BIZ, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

0-1-DW-8-10-093

| | <u>Unrestricted</u> |
|--|----------------------------|
| REVENUE & OTHER SUPPORT | |
| Revenue & support from special events | \$ 63,700 |
| Direct expenses | (47,635) |
| <i>Revenue & Net Support From Special Events</i> | 16,065 |
| | |
| Other Revenue & Support: | |
| Contributions | 62,440 |
| Program fees | 674,590 |
| <i>Total Other Revenue & Support</i> | 737,030 |
| | |
| Total Revenue & Other Support | 753,095 |
| | |
| EXPENSES | |
| Program services | 594,536 |
| Management & general | 84,209 |
| Fundraising | 14,061 |
| | 692,806 |
| Total Expenses | 692,806 |
| | |
| Change in Net Assets | 60,289 |
| | |
| Net Assets at Beginning of Year | 44,047 |
| | |
| Net Assets at End of Year | \$ 104,336 |

See Accompanying Notes and Independent Auditor's Report

RIGHT TURN.BIZ, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | Program Services | | |
|---|--------------------|-------------------|-------------------|
| | <u>Residential</u> | <u>Outpatient</u> | <u>Total</u> |
| | <u>House</u> | <u>Services</u> | <u>Program</u> |
| | \$ | \$ | \$ |
| Accounting fees | - | - | - |
| Advertising | 18,657 | 12,380 | 31,037 |
| Amortization | - | - | - |
| Bank charges | 8 | - | 8 |
| Conferences & meetings | 499 | 620 | 1,119 |
| Consulting services | - | 63,028 | 63,028 |
| Credit card fees | - | 2,481 | 2,481 |
| Depreciation | 2,573 | - | 2,573 |
| Dues & memberships | 897 | 100 | 997 |
| Expendable furniture | 8,566 | - | 8,566 |
| Filing fees | - | 1,445 | 1,445 |
| Household supplies | 6,033 | - | 6,033 |
| Informational Services | - | 64 | 64 |
| Insurance expense | 992 | 5,448 | 6,440 |
| Interest expense | 1,762 | - | 1,762 |
| Internet access | 320 | - | 320 |
| Janitorial | - | - | - |
| Meals | 14,345 | 5,621 | 19,966 |
| Merchandise | - | - | - |
| Miscellaneous expense | - | - | - |
| Office expense | 132 | 1,833 | 1,965 |
| Office supplies | 15 | 279 | 294 |
| Outside services | - | 50,344 | 50,344 |
| Payroll | 31,275 | 218,926 | 250,201 |
| Payroll taxes | 3,327 | 23,290 | 26,617 |
| Penalties | - | - | - |
| Postage & delivery | 13 | 137 | 150 |
| Printing & reproduction | 700 | 581 | 1,281 |
| Professional fees | 34,704 | 2,442 | 37,146 |
| Program expenses | 1,414 | 4,189 | 5,603 |
| Rent | 27,000 | 29,117 | 56,117 |
| Repairs | - | - | - |
| Telephone | - | 5,925 | 5,925 |
| Training | 505 | 410 | 915 |
| Transportation | 6,190 | - | 6,190 |
| Travel | 81 | 985 | 1,066 |
| Utilities | 4,883 | - | 4,883 |
| Total Expenses Before Special Events | 164,891 | 429,645 | 594,536 |
| Catering/hall rental | - | - | - |
| Outside Services | - | - | - |
| Printing | - | - | - |
| Security | - | - | - |
| Total Special Events | - | - | - |
| TOTAL EXPENSES | \$ 164,891 | \$ 429,645 | \$ 594,536 |

See Accompanying Notes and Independent Auditor's Report

RIGHT TURN.BIZ, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| Supporting Services | | | | |
|-------------------------------------|--------------------------|--|---------------------------|---|
| <u>Management & General</u> | <u>Fund- Raising</u> | <u>Total Supporting Services</u> | <u>Total Expenses</u> | |
| \$ 4,754 | \$ - | \$ 4,754 | \$ 4,754 | Accounting fees |
| 8,078 | 726 | 8,804 | 39,841 | Advertising |
| 1,192 | - | 1,192 | 1,192 | Amortization |
| 482 | - | 482 | 490 | Bank charges |
| 3,002 | 29 | 3,031 | 4,150 | Conferences & meetings |
| 367 | - | 367 | 63,395 | Consulting services |
| 2,544 | - | 2,544 | 5,025 | Credit card fees |
| 374 | - | 374 | 2,947 | Depreciation |
| - | - | - | 997 | Dues & memberships |
| - | - | - | 8,566 | Expendable furniture |
| 515 | - | 515 | 1,960 | Filing fees |
| - | - | - | 6,033 | Household supplies |
| 1,133 | - | 1,133 | 1,197 | Informational Services |
| - | - | - | 6,440 | Insurance expense |
| 4,042 | - | 4,042 | 5,804 | Interest expense |
| 676 | - | 676 | 996 | Internet access |
| 2,100 | - | 2,100 | 2,100 | Janitorial |
| 558 | 65 | 623 | 20,589 | Meals |
| - | 1,365 | 1,365 | 1,365 | Merchandise |
| 933 | - | 933 | 933 | Miscellaneous expense |
| 9,516 | - | 9,516 | 11,481 | Office expense |
| 1,643 | - | 1,643 | 1,937 | Office supplies |
| - | 460 | 460 | 50,804 | Outside services |
| 28,432 | 5,686 | 34,118 | 284,319 | Payroll |
| 3,025 | 605 | 3,630 | 30,247 | Payroll taxes |
| 260 | - | 260 | 260 | Penalties |
| 71 | 263 | 334 | 484 | Postage & delivery |
| - | 499 | 499 | 1,780 | Printing & reproduction |
| 1,918 | - | 1,918 | 39,064 | Professional fees |
| - | - | - | 5,603 | Program expenses |
| 4,084 | 2,913 | 6,997 | 63,114 | Rent |
| 1,016 | - | 1,016 | 1,016 | Repairs |
| 206 | - | 206 | 6,131 | Telephone |
| 215 | - | 215 | 1,130 | Training |
| - | - | - | 6,190 | Transportation |
| 3,073 | 1,450 | 4,523 | 5,589 | Travel |
| - | - | - | 4,883 | Utilities |
| <u>84,209</u> | <u>14,061</u> | <u>98,270</u> | <u>692,806</u> | Total Expenses Before Special Events |
| - | 21,781 | 21,781 | 21,781 | Catering/hall rental |
| - | 25,154 | 25,154 | 25,154 | Outside Services |
| - | 322 | 322 | 322 | Printing |
| - | 378 | 378 | 378 | Security |
| <u>-</u> | <u>47,635</u> | <u>47,635</u> | <u>47,635</u> | Total Special Events |
| <u>\$ 84,209</u> | <u>\$ 61,696</u> | <u>\$ 145,905</u> | <u>\$ 740,441</u> | TOTAL EXPENSES |

See Accompanying Notes and Independent Auditor's Report

RIGHT TURN.BIZ, INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

10-0287673 003

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|--|----------------------|
| Cash received from special events | \$ 63,700 |
| Cash received from contributors | 47,090 |
| Cash received from program fees | 647,590 |
| Cash paid to employees & vendors | <u>(685,821)</u> |
| Net Cash Provided By Operating Activities | <u>72,559</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|--|------------------------|
| Purchase of fixed assets | <u>(58,701)</u> |
| Net Cash (Used) By Investing Activities | <u>(58,701)</u> |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | |
|--|----------------------|
| Proceeds from long-term borrowings | 80,000 |
| Principal payments on long-term borrowings | (12,632) |
| Proceeds from line of credit | 14,000 |
| Principal payments on line of credit | <u>(26,069)</u> |
| Net Cash Provided By Financing Activities | <u>55,299</u> |

| | |
|----------------------------|--------------------------|
| Net increase in cash | 69,157 |
| Cash at beginning of year | <u>58,730</u> |
| Cash At End Of Year | <u>\$ 127,887</u> |

**RECONCILIATION OF CHANGE IN NET ASSETS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES:**

| | |
|----------------------|-----------|
| Change in net assets | \$ 60,289 |
|----------------------|-----------|

Adjustments to reconcile change in net assets to net cash provided by operating activities:

| | |
|--|-------------------------|
| Depreciation | 2,947 |
| Amortization | 1,192 |
| | |
| (Increase) in accounts receivable | (3,660) |
| Decrease in inventory | 345 |
| (Increase) in prepaid expenses | (2,342) |
| Decrease in security deposit | 2,060 |
| Increase in accounts payable | 4,476 |
| Increase in accrued payroll & payroll taxes | <u>7,252</u> |
| Net Cash Provided By Operating Activities | <u>\$ 72,559</u> |

SUPPLEMENTAL DISCLOSURES:

| | |
|------------------|-----------------|
| Interest Expense | <u>\$ 5,804</u> |
|------------------|-----------------|

See Accompanying Notes and Independent Auditor's Report

RIGHT TURN.BIZ, INC.
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

10-DW-06-000

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Operation

Right Turn.Biz, Inc. (the Organization), was incorporated under the laws of the Commonwealth of Massachusetts in 2003. The Organization was formed for the purpose of rehabilitating and educating those persons with alcohol or drug addiction in order to assist their re-entry into society as self-sufficient persons. The Organization is supported primarily by program service fees, contributions and special events.

Programs

Intensive Outpatient Program (IOP): The Organization offers an intensive outpatient program consisting of nine groups, individual therapy and medication evaluation spread over the week. This program serves from 10-18 clients per week. On occasion, the Organization will offer a reduced rate to medically indigent individuals in need of counseling.

Outpatient Counseling: The Organization has an outpatient counseling program which provides individual and group therapy to an average of 55 clients per week. Medication evaluations or management is also provided weekly. Four therapists rent space from the Organization and see private or referred clients and do their own billing.

Interventions: The Organization offers intervention services under the guidance of Woody Giessmann, a Board Registered Interventionist. Woody works with family members and friends of a chemically dependent person to get help for his/her problem. Interventions are considered successful when they result in the addict agreeing to enter a drug or alcohol treatment program. Twelve interventions were performed during the fiscal year.

Residential Housing for Men: In October 2011, the Organization opened a 6-bed residential facility for adult men. The goal of this program is to help residents build a clean and sober support network and develop life skills needed in sobriety. Work out facilities and gym memberships are provided. Residents are transported to the Organization's facility five days a week to participate in the Intensive Outpatient Program. Eighteen men have been residents during this fiscal year.

Basis of Revenue and Expense Recognition

The financial statements of the Organization have been prepared on the accrual basis of accounting, recognizing revenue and support when earned and expenses when incurred.

RIGHT TURN.BIZ, INC.
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

0-00000-00000

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Basis of Presentation

Right Turn.Biz, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes institutional liquid assets.

Inventory

Inventory, which consists primarily of musical CDs, is stated at cost using first-in, first-out (FIFO) method.

Fixed Assets

Fixed assets are recorded at cost at the date of acquisition, or if donated, at the approximate fair market value at the date of donation. The Organization follows the practice of capitalizing all expenditures for fixed assets in excess of \$500 and repairs and maintenance are expensed as incurred. Depreciation is provided over the estimated useful life of each class of fixed assets and is computed using the straight-line method.

The useful life adopted for the purpose of computing depreciation is:

| | |
|------------------------|---------------|
| Computer Equipment | 3 - 5 years |
| Vehicle | 5 years |
| Furniture | 7 years |
| Leasehold Improvements | 15 - 39 years |

Depreciation expense for the fiscal year ended June 30, 2012 was \$2,947.

Intangible Assets

Intangible assets represent website development and loan fees. These intangible assets are being amortized on a straight-line basis over the estimated useful life of three years.

Amortization expense for the fiscal year ended June 30, 2012 was \$1,192.

RIGHT TURN.BIZ, INC.
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

05/03/2012 09:00:00

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Revenue Recognition and Contributions

Restricted and unrestricted contributions are recognized at the time in which the donor makes a promise to give to the Organization, or in the case of a grant, contributions are recognized at the time in which they are awarded.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, then the Organization reports the support unrestricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. All unconditional promises to give for the fiscal year ended June 30, 2012 were due in less than one year. No allowance for uncollectable promises to give has been established.

Donated Materials and Services

The Organization records various types of donated materials and services. Professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated materials are recognized at fair market value at the date of donation. The amounts reflected in the accompanying financial statements as donated materials and services are offset by like amounts included in expenses and are considered noncash activities.

In addition to what has been recorded in the accompanying financial statements, many other individuals contributed, at no cost to the Organization, their time and effort but do not meet the criteria for recognition in accordance with generally accepted accounting principles. The fair market value of these individuals' time and effort has not been determined and is not reflected in the accompanying financial statements. Nevertheless, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs and various committee assignments.

RIGHT TURN.BIZ, INC.
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

ESD 6/27/12 10:01

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

The Organization received the following donated materials and services without charge:

| | <u>Mgmt & General</u> | <u>Program Services</u> | <u>Total</u> |
|---------------------|-------------------------------|-----------------------------|------------------|
| Van | \$ - | \$ 1,500 | \$ 1,500 |
| Stationary Supplies | 2,250 | - | 2,250 |
| Website Development | 4,000 | - | 4,000 |
| Rent | - | 24,000 | 24,000 |
| Program Supplies | - | 1,500 | 1,500 |
| Total | <u>\$ 6,250</u> | <u>\$ 27,000</u> | <u>\$ 33,250</u> |

Income Taxes

The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities, and is classified as a business entity that is not a private foundation within the meaning of Section 509(a). The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Contributions to the Organization qualify for deductible contributions as provided in Section 170(b)(1)(A)(vi).

The Organization's Forms 990, Return of Organization Exempt From Income Tax for 2009, 2010, and 2011 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Advertising

Advertising costs are charged to operations when incurred. Advertising expense for the fiscal year ended June 30, 2012 was \$39,841.

NOTE 2 LINE OF CREDIT

The Organization has a \$25,000 line of credit, of which \$25,000 was unused at June 30, 2012. Bank advances on the credit line are payable on demand and carry an interest rate of Wall Street Prime Rate plus 1.5%. The credit line is secured by substantially all assets of the Organization and is personally guaranteed by the Organization's Executive Director. There was no outstanding balance at June 30, 2012.

RIGHT TURN.BIZ, INC.
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

ESB W/REV 10-10

NOTE 3 LONG-TERM DEBT

Long-term debt at June 30, 2012, consisted of the following:

| | |
|--|------------------|
| Note payable to bank, payable in monthly installments of \$2,473.17, including interest at 6.99%, maturing February 1, 2015. Secured by an All Assets Security Agreement | \$ 67,367 |
| Less: Current Portion | (25,342) |
| Total Long-Term Debt | <u>\$ 42,025</u> |

The following are maturities of long-term debt for each of the next five years:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|------------------|
| 2013 | \$ 25,342 |
| 2014 | 27,614 |
| 2015 | 14,411 |
| 2016 | - |
| 2017 | - |
| Total | <u>\$ 67,367</u> |

NOTE 4 LEASING ARRANGEMENTS

On December 23, 2011, the Organization signed into a two year lease on its Arlington office, commencing on January 1, 2012. There is an option to renew the lease for an additional year at a rental rate to be negotiated.

The office is being subleased to tenants renting from the Organization on a month-to-month basis.

On September 30, 2011, the Organization signed into a five year lease on a residential home to be used as a "Sober House. There are two options to renew the lease for an additional five years at a mutually agreeable rent, but not to exceed 3% per year for each year in the renewal period or 15% per five-year period.

Rent expense amounted to \$84,364 which was offset by subleases totaling \$21,250 during the fiscal year ended June 30, 2012.

RIGHT TURN.BIZ, INC.
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

EOP 6/30/12 10:00

NOTE 4 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

The following is a schedule of future minimum rental payments required under the above operating leases as of June 30, 2012:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|-------------------|
| 2013 | \$ 96,207 |
| 2014 | 66,104 |
| 2015 | 36,000 |
| 2016 | 36,000 |
| 2017 | 9,000 |
| Total | <u>\$ 243,311</u> |

NOTE 5 RELATED PARTY TRANSACTIONS

A member of the board of directors provided marketing and website development services to the Organization in the amount of \$39,227. Amounts paid during the fiscal year were \$38,751. In addition, contributed marketing and website development services were provided by the related party valued at \$6,250.

The Executive Director, whom is also a member of the board of directors, was reimbursed for travel expenses, during the fiscal year ended June 30, 2012, in the amount of \$1,300. In addition, the Executive Director was compensated as an employee of the Organization, during the fiscal year ended June 30, 2012, in the amount of \$80,080.

An Honorary member of the board of directors was reimbursed for travel and fundraising services, during the fiscal year ended June 30, 2012, in the amount of \$1,100.

Two members of the board of directors donated \$8,500 to the Organization during the fiscal year ended June 30, 2012, for general support.

NOTE 6 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 25, 2013, the date which the financial statements were available to be issued.