

**Single Audit
Reporting Package**

**Newton Community Service
Centers, Inc.**

June 30, 2011

G.T. Reilly & Company

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Board of Directors
Newton Community Service Centers, Inc.

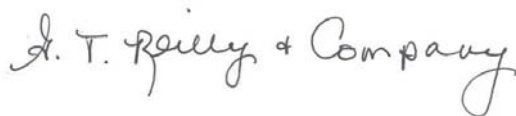
INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial position of Newton Community Service Centers, Inc. as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 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 audits provide 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 Newton Community Service Centers, Inc. at June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our accompanying report dated February 16, 2012 on our consideration of Newton Community Service Centers, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



G. T. Reilly & Company

Milton, Massachusetts
February 16, 2012

Newton Community Service Centers, Inc.

Statements of Financial Position

June 30

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash	\$ 708,643	\$ 39,970
Accounts receivable, net of allowance for doubtful accounts of \$2,000 in 2011 and 2010	111,214	344,285
Contributions receivable net of allowance for doubtful accounts of \$3,000 in 2011 and none in 2010 (Notes 2 & 3)	73,260	3,333
Prepaid expenses	68,756	22,158
TOTAL CURRENT ASSETS	961,873	409,746
INVESTMENTS, at fair value (Notes 2 & 4)	-	533,083
PROPERTY AND EQUIPMENT, net (Notes 2 & 5)	1,805,309	1,881,317
TOTAL ASSETS	\$ 2,767,182	\$ 2,824,146
 <u>Liabilities and Net Assets</u>		
CURRENT LIABILITIES		
Bank line of credit (Note 6)	\$ 723,732	\$ 294,000
Accounts payable	200,694	217,397
Accrued expenses	231,415	205,685
Deferred revenues (Note 2)	143,303	156,079
Current portion of non-qualified retirement plan (Note 9)	39,200	36,800
Client deposits and other liabilities	108,884	90,578
TOTAL CURRENT LIABILITIES	1,447,228	1,000,539
NON-QUALIFIED RETIREMENT PLAN, less current portion (Note 9)	280,600	266,876
NET ASSETS (Notes 2 & 7)		
Unrestricted	953,564	1,516,979
Temporarily restricted	85,790	39,752
TOTAL NET ASSETS	1,039,354	1,556,731
TOTAL LIABILITIES AND NET ASSETS	\$ 2,767,182	\$ 2,824,146

Newton Community Service Centers, Inc.

Statements of Activities and Changes in Net Assets

Year Ended June 30, 2011

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support:			
Contributions	\$ 106,163	\$ 57,000	\$ 163,163
United Way	138,574	-	138,574
Grants and donations	95,079	236,698	331,777
	<u>339,816</u>	<u>293,698</u>	<u>633,514</u>
Program Service Revenue:			
Contracts	1,396,272	-	1,396,272
Tuition and fees	1,874,449	-	1,874,449
Rental and other income	96,481	-	96,481
	<u>3,367,202</u>	<u>-</u>	<u>3,367,202</u>
Investment gains and income, net (Note 4)	<u>96,444</u>		<u>96,444</u>
Net assets released from restrictions (Note 7)	<u>247,660</u>	<u>(247,660)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>4,051,122</u>	<u>46,038</u>	<u>4,097,160</u>
EXPENSES			
Program services:			
Child and family services	2,884,369	-	2,884,369
Youth programs	489,866	-	489,866
Community programs	214,189	-	214,189
	<u>3,588,424</u>	<u>-</u>	<u>3,588,424</u>
General and administrative	828,059	-	828,059
Fundraising and development	198,054	-	198,054
	<u>4,614,537</u>	<u>-</u>	<u>4,614,537</u>
CHANGE IN NET ASSETS	<u>(563,415)</u>	<u>46,038</u>	<u>(517,377)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>1,516,979</u>	<u>39,752</u>	<u>1,556,731</u>
NET ASSETS AT END OF YEAR	<u>\$ 953,564</u>	<u>\$ 85,790</u>	<u>\$ 1,039,354</u>

Newton Community Service Centers, Inc.

Statements of Activities and Changes in Net Assets

Year Ended June 30, 2010

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support:			
Contributions	\$ 177,194	\$ 74,005	\$ 251,199
United Way	135,921	-	135,921
Grants and donations	60,358	201,350	261,708
	<u>373,473</u>	<u>275,355</u>	<u>648,828</u>
Program Service Revenue:			
Contracts	1,628,646	-	1,628,646
Tuition and fees	1,621,388	-	1,621,388
Rental and other income	93,481	-	93,481
	<u>3,343,515</u>	<u>-</u>	<u>3,343,515</u>
Investment gains and income, net (Note 4)	68,782		68,782
Net assets released from restrictions (Note 7)	254,973	(254,973)	-
	<u>4,040,743</u>	<u>20,382</u>	<u>4,061,125</u>
EXPENSES			
Program services:			
Child and family services	2,656,945	-	2,656,945
Youth programs	505,151	-	505,151
Community programs	158,275	-	158,275
	<u>3,320,371</u>	<u>-</u>	<u>3,320,371</u>
General and administrative	876,803	-	876,803
Fundraising and development	257,075	-	257,075
	<u>4,454,249</u>	<u>-</u>	<u>4,454,249</u>
CHANGE IN NET ASSETS	(413,506)	20,382	(393,124)
NET ASSETS AT BEGINNING OF YEAR	1,930,485	19,370	1,949,855
NET ASSETS AT END OF YEAR	<u>\$ 1,516,979</u>	<u>\$ 39,752</u>	<u>\$ 1,556,731</u>

Newton Community Service Centers, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2011

	Program Services				Support Services		
	Child and Family Services	Youth Programs	Community Programs	Total Program Services	General & Admin.	Fundraising & Development	Total Expenses
EXPENSES							
Salaries and wages	\$ 1,728,777	\$ 264,637	\$ 121,903	\$ 2,115,317	\$ 362,713	\$ 121,888	\$ 2,599,918
Payroll taxes	140,043	27,402	8,992	176,437	39,536	9,160	225,133
Fringe benefits	123,007	16,016	3,358	142,381	59,227	1,850	203,458
Staff training	3,476	885	165	4,526	35	892	5,453
Independent contractors	172,506	-	42,000	214,506	57,341	150	271,997
Professional fees and temporary help	14,680	555	175	15,410	32,208	1,572	49,190
Occupancy and facility cost	210,668	70,793	12,746	294,207	20,637	6,313	321,157
Rent	42,309	49,500	-	91,809	-	-	91,809
Insurance	7,609	4,265	665	12,539	35,294	-	47,833
Office supplies	10,528	1,835	10,228	22,591	18,587	4,325	45,503
Program expense	230,954	34,495	4,473	269,922	6,904	5,613	282,439
Telephone	11,670	4,815	1,508	17,993	3,574	1,056	22,623
Computer expense	135	-	360	495	7,726	9,379	17,600
Transportation	128,130	1,185	168	129,483	1,970	43	131,496
Interest expense	-	-	-	-	48,201	-	48,201
Bank & other fees	527	137	-	664	34,281	46	34,991
Recruiting	375	185	85	645	8,532	-	9,177
Fundraising	-	-	-	-	-	34,099	34,099
Audit and accounting	-	-	5,386	5,386	35,279	-	40,665
Other expenses	4,962	238	345	5,545	149	195	5,889
Depreciation	54,013	12,923	1,632	68,568	55,865	1,473	125,906
	<u>\$ 2,884,369</u>	<u>\$ 489,866</u>	<u>\$ 214,189</u>	<u>\$ 3,588,424</u>	<u>\$ 828,059</u>	<u>\$ 198,054</u>	<u>\$ 4,614,537</u>

Newton Community Service Centers, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2010

	Program Services				Support Services		
	Child and Family Services	Youth Programs	Community Programs	Total Program Services	General & Admin.	Fundraising & Development	Total Expenses
EXPENSES							
Salaries and wages	\$ 1,589,999	\$ 285,574	\$ 110,893	\$ 1,986,466	\$ 366,959	\$ 128,788	\$ 2,482,213
Payroll taxes	141,111	25,465	10,258	176,834	19,894	12,136	208,864
Fringe benefits	85,230	15,933	6,381	107,544	79,314	7,190	194,048
Staff training	4,569	625	495	5,689	2,311	840	8,840
Independent contractors	222,334	45	11,101	233,480	74,488	23,388	331,356
Professional fees and temporary help	8,618	285	100	9,003	6,706	9,160	24,869
Occupancy and facility cost	196,329	72,037	8,520	276,886	7,441	7,620	291,947
Rent	36,299	43,830		80,129	-	-	80,129
Insurance	8,229	2,100	998	11,327	34,506	-	45,833
Office supplies	10,103	5,717	3,900	19,720	17,661	52,513	89,894
Program expense	196,668	34,395	1,970	233,033	21,815	3,101	257,949
Telephone	10,240	5,253	1,200	16,693	6,941	902	24,536
Computer expense	4,770	7,257	426	12,453	10,217	999	23,669
Transportation	133,180	2,823	1,713	137,716	4,051	-	141,767
Interest expense	-	-	-	-	9,702	-	9,702
Bank & other fees	56	55	-	111	38,486	55	38,652
Recruiting	550	280	60	890	35,933	370	37,193
Fundraising	(751)	-	-	(751)	-	9,468	8,717
Audit and accounting	-	-	-	-	33,000	-	33,000
Other expenses	2,829	295	260	3,384	1,280	545	5,209
Depreciation	6,582	3,182	-	9,764	106,098	-	115,862
	<u>\$ 2,656,945</u>	<u>\$ 505,151</u>	<u>\$ 158,275</u>	<u>\$ 3,320,371</u>	<u>\$ 876,803</u>	<u>\$ 257,075</u>	<u>\$ 4,454,249</u>

Newton Community Service Centers, Inc.

Statements of Cash Flows

Years Ended June 30

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (517,377)	\$ (393,124)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	125,905	115,862
Unrealized gains on investments	-	(18,232)
Realized gains on investments	(95,379)	(35,488)
Gain on sale of land	-	(39,304)
Allowance for doubtful accounts	3,000	-
Changes in operating assets and liabilities:		
Accounts receivable	233,071	(106,759)
Contributions receivable	(72,927)	14,517
Prepaid expenses	(46,598)	26,737
Accounts payable	(16,703)	33,637
Accrued expenses and other liabilities	60,160	74,795
Deferred revenue	(12,776)	5,272
	<u>(339,624)</u>	<u>(322,087)</u>
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in short-term investments	-	53,527
Proceeds from sale of investments	760,582	274,282
Purchase of investments	(132,120)	(285,677)
Purchase of property and equipment	(49,897)	(141,462)
Proceeds from sale of land	-	53,759
	<u>578,565</u>	<u>(45,571)</u>
NET CASH PROVIDED FROM (USED IN) INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank line of credit, net	<u>429,732</u>	<u>229,000</u>
RESULTING IN A NET INCREASE (DECREASE) IN CASH	668,673	(138,658)
CASH AT BEGINNING OF YEAR	<u>39,970</u>	<u>178,628</u>
CASH AT END OF YEAR	<u>\$ 708,643</u>	<u>\$ 39,970</u>
<u>Supplemental Disclosure of Cash Flow Information</u>		
Cash paid for interest	<u>48,201</u>	<u>9,702</u>

Newton Community Service Centers, Inc.

Notes to Financial Statements

June 30, 2011

Note 1 – Nature of Activities

Newton Community Service Centers, Inc. (the “Center”) is a private, nonprofit, multi-service Center that strengthens individual, family, and community life through a network of support services and educational programs. The Center promotes social, emotional, and physical wellness and continuity of care for all ages. Newton Community Service Centers, Inc. serves a racially, ethnically, and culturally diverse population regardless of economic circumstances from Newton, Waltham, and surrounding communities.

Tax-Exempt Status – The Center is exempt from federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. Donors may deduct contributions made to the Center within the regulations of the Internal Revenue Code.

Note 2 - Significant Accounting Policies

Basis of Accounting and Reporting - The financial statements of the Center have been prepared on the accrual basis of accounting.

The support, revenues and expenses of the Center are reported in three program groups, a general and administrative group and a fundraising and development group. A description of the three program groups are as follows:

Child and Family Services

Early Education and Care - Center-based education and care for infants, toddlers, preschoolers and school-age children. NCSC children’s programs also include after school programs that provide activities for children in kindergarten through sixth grade.

Family Child Care - Home-based child care system, enriched by NCSC oversight, support and guidance to preschoolers.

Summer Day Camp/School Vacation Camps - Day Camp at Hale Reservation for children entering kindergarten through grade 10 and vacation activity weeks for children ages 5 to 12.

The Parents Program - Comprehensive support services for teens and young adults during pregnancy and the early years of child rearing including: counseling, parenting education, support groups, parent/child connections, and a transitional living program.

Parent Child Home Program - Home-visiting early literacy program that teaches parents methods to stimulate and enhance verbal and cognitive skills of their children.

Child Assault Prevention (CAP) Program - A professionally supervised, volunteer-driven program offering a workshop curriculum in all Newton elementary schools that teaches children simple strategies to reduce their vulnerability to sexual assault and violence.

United Way/Emergency Assistance Fund – The United Way Emergency Assistance Fund has been established to assist primarily low-income individuals and families with their emergency basic needs including but not limited to food, heat, utilities, clothing and shelter.

Note 2 - Significant Accounting Policies (Cont.)

Youth Programs

Student Central (formerly Teen REACH) - Adolescent services that include a drop-in Youth Center, mentoring program, individual and group counseling, court-restitution program, classes in cooking, computers, yoga and music, basketball, outdoor experiential program in Vermont, school vacation week camps and programs that train teens in good citizenship, leadership development and community service.

Safe Schools/Healthy Students (SS/HS) Program - Initiative aimed to foster safe, respectful, and drug-free school environments and to promote pro-social skills and healthy childhood development for all Newton children. The program helps reduce the risk factors that come between children of all ages and their ability to learn and to stay safe and healthy.

Community Programs

Service Opportunities After 55 (SOAR) - A program that matches adults (55 years of age and up) with volunteer opportunities within nonprofit and civic organizations.

Accounting Estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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.

Financial Statement Presentation – Under generally accepted accounting principles, the Center reports information regarding its financial position and activities according to three classes of net assets determined by donor-imposed restrictions as follows: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets (see Note 7 regarding restrictions on net assets).

Contributions and Donor Restrictions – Under generally accepted accounting principles, contributions receivable that are, in effect, "unconditional promises to give" are recorded in the period in which the pledge is made at the present value of future cash flows. In addition, contributions of cash or other assets are reported as restricted support, thereby increasing temporarily restricted net assets, if they are received with donor stipulations that limit, specify or otherwise restrict the use of such contributions. When a donor restriction expires, either by use of the funds for the specified purpose or by the expiration of a time restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions (see Note 7). Contributions received for the purpose of, or in connection with a campaign to raise funds for acquiring property or equipment, or renovating a facility, are reported as support, increasing temporarily restricted net assets. When the expenditures for the acquisition or renovations are incurred, the financial statements report a reduction in temporarily restricted net assets and an increase in unrestricted net assets.

Statements of Cash Flows - For the purpose of the statements of cash flows, cash consists of amounts on hand, operating bank accounts, and money market accounts with no restrictions on withdrawals, and certificates of deposit with maturities of three months or less.

Accounts and Contributions Receivable – Accounts and Contributions receivable are stated net of an allowance for doubtful accounts, which is reported on the face of the Center's statement of financial position. The allowance is established via a provision for bad debts charged to operations. On a periodic basis, management evaluates its accounts receivable and establishes or adjusts its allowance to an amount that it believes will be adequate to absorb possible losses on accounts that may become uncollectible, based on evaluations of the collectibility of individual accounts, the Center's history of prior loss experience and on current economic conditions. Accounts are written off and charged against the allowance when management believes that the collectibility of the specific account is unlikely.

Note 2 - Significant Accounting Policies (Cont.)

Property and Equipment – Property and equipment purchased by the Center are recorded at cost. Donated property and equipment are recorded at the fair market value at the date of donation. Routine repairs and maintenance are charged to operations while those which materially improve or extend the lives of existing assets are capitalized (see Note 5).

Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 – 35 years
Playground equipment	7 years
Office and program equipment	3 – 7 years
Motor vehicles	7 years

Investments – The Center reports its investments on the statement of financial position at fair value, with the corresponding realized and unrealized gains and losses reflected in the statement of activities as investment income (see Note 4).

Fair Value Measurements – The Center follows the provisions of the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 820, "Fair Value Measurements and Disclosures" (ASC Topic 820), for assets and liabilities that are measured and recorded at fair value on a recurring basis, and to determine fair value disclosures. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. This standard applies to certain other existing accounting pronouncements that require or permit fair value measurements. Fair value measurement principles apply to the reporting of the Center's investments (see Note 4).

Deferred Revenues - Deferred revenues consist of summer camp tuition and fee deposits to be applied to future periods to which the tuition and fees relate.

Revenue Recognition – Government contracts and grants are recorded when services are provided and costs are incurred. Unrestricted grants and contributions are recorded as revenue and support when received or unconditionally committed.

Contributed Services – The Center is the beneficiary of donated services in several of its programs. Many individuals volunteer their time to perform a variety of tasks that assist the Center in programs and committees. No amounts have been reflected in the financial statements for services donated by volunteers inasmuch as the services received do not create or enhance non-financial assets or require specialized skills which would need to be purchased from outside vendors; however, a substantial number of volunteers have donated significant amounts of their time to the activities of the Center.

Support and Revenue - The Center contracts for services with the Commonwealth of Massachusetts' Department of Early Education and Care, Department of Social Services, Department of Education, with the Cities of Newton and Waltham, the U.S. Corporation for National and Community Services and Department of Education, and with other public agencies and private companies. The Center also receives support from various private foundations, including the United Way, The Perpetual Benevolent Fund, Rebecca Pomroy Foundation, local businesses, and the general public.

Functional Expenses - Expenses are charged to each program based on direct expenditures incurred. Any expenditure not directly chargeable is allocated to a program based on established formulas for the entire organization.

Evaluation of Subsequent Events – In accordance with generally accepted accounting principles, management has evaluated subsequent events involving the Center for potential recognition or disclosure in the accompanying financial statements. Subsequent events are events or transactions that occurred after June 30, 2011 up through February 16, 2012, the date the accompanying financial statements were available to be issued.

Note 3 - Contributions Receivable

Contributions receivable are summarized as follows at June 30:

	<u>2011</u>	<u>2010</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 45,500	\$ 3,333
One year to two years	<u>30,760</u>	<u>-</u>
	<u>76,260</u>	<u>3,333</u>
Less allowance for uncollectible contributions receivable	<u>3,000</u>	<u>-</u>
	<u>\$ 73,260</u>	<u>\$ 3,333</u>

Contributions receivable of approximately \$20,000 and \$46,000 at June 30, 2011, represent temporarily restricted pledges designated for the Center's Child and Family Services programs and time restricted donations for the Center's general mission, respectively. There were no temporarily restricted pledges at June 30, 2010.

Note 4 – Investments

During fiscal 2011, the Center liquidated its investment portfolio and transferred all of the sale proceeds to a money market account at a local financial institution. Sale proceeds of approximately \$760,000 resulted in an approximate realized gain of \$95,000 for the year ended June 30, 2011.

Under ASC Topic 820, valuation techniques used to measure fair value of investments must maximize the use of observable inputs and minimize the use of unobservable inputs. ASC Topic 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three tiers are defined as:

Level 1 – Observable inputs such as quoted prices in active markets.

Level 2 – Inputs other than Level 1 inputs that are observable, either directly or indirectly, such as quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market.

Level 3 – Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions which are significant to the fair measurement.

The following is a schedule of investments at fair value by level within the fair value hierarchy at June 30, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$181,815	\$ -	\$ -	\$181,815
Mutual Funds	281,136	-	-	281,136
U.S. Treasury Money Market	<u>70,132</u>	<u>-</u>	<u>-</u>	<u>70,132</u>
	<u>\$533,083</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$533,083</u>

The level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All of the Center's investments were classified within Level 1 of the valuation hierarchy at June 30, 2010.

The Center recorded realized and unrealized gains on investments of \$37,639 and \$16,081, respectively, for the year ended June 30, 2010. Sales of investments approximated \$274,000 in 2010.

Note 4 – Investments (Cont.)

Investment gains and income are as follows for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Realized gains	\$ 95,379	\$ 35,488
Unrealized gains	0	18,232
Interest and dividend income	1,065	15,062
	<u>\$ 96,444</u>	<u>\$ 68,782</u>

Note 5 - Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Land	\$ 9,409	\$ 9,409
Buildings and improvements	3,092,821	3,048,776
Playground equipment	88,952	88,952
Office and program equipment	190,956	190,956
Motor vehicles	28,949	28,949
	<u>3,411,087</u>	<u>3,367,042</u>
Less: Accumulated Depreciation	1,605,778	1,485,725
	<u>\$ 1,805,309</u>	<u>\$ 1,881,317</u>

Depreciation expense was \$125,905 and \$115,862 for the years ended June 30, 2011 and 2010, respectively.

During fiscal 2010, the Center sold two parcels of Vermont land it had obtained via a gift during the early 1980's. Gross proceeds realized from the sale of \$55,000 resulted in a gain of approximately \$39,000 for the year ended June 30, 2010. There were no sales of land during fiscal 2011.

On November 14, 2011, the Center entered into a \$1,065,000 purchase and sale agreement for the sale of real estate located at 429 Cherry Street, Newton, Massachusetts. In conjunction with the Center's September 15, 2011 bank line of credit refinancing with the Village Bank, the Center agreed that upon the sale of the Cherry Street property, the Center will pay down the outstanding balance on the line of credit to at least \$500,000 (see Note 6).

For financial statement purposes, the Center would record a loss on the sale of approximately \$60,000.

Note 6 – Bank Line of Credit

On December 19, 2007, the Center obtained a \$500,000 revolving line of credit with The Village Bank to fund short-term working capital needs. On August 10, 2010, the Center refinanced the line of credit with The Village Bank. The new agreement is for \$750,000 and is also due on demand. The interest rate charged on borrowings is payable monthly at the Wall Street Journal's prime floating rate, and in no event will the interest rate be less than 4.25% (4.25% at June 30, 2011). The line of credit is to be renewed annually and is collateralized by property located at 492 Waltham Street, Newton, Massachusetts. The outstanding balances under the current and previous agreements at June 30, 2011 and 2010, respectively, were \$723,732 and \$294,000.

Note 6 – Bank Line of Credit (Cont.)

On September 15, 2011, subsequent to year-end, the Center again refinanced the bank line of credit with Village Bank. The 2011 agreement is for \$1,250,000 and is payable on demand. Similar to the prior agreement, the interest rate charged on borrowings will be payable monthly at the Wall Street Journal's rate, floating daily with a floor of 4.25%. The note will be renewed annually. The 2011 note is collateralized by property at both 492 Waltham Street and 429 Cherry Street, Newton, Massachusetts. As mentioned in Note 5, additional provisions include that upon the sale of 429 Cherry Street, the line balance will be paid down to at least \$500,000 and the line's maximum borrowings will then be reduced to \$500,000.

The outstanding balance at December 19, 2011 was approximately \$908,000 (see Note 5 regarding the sale of 429 Cherry Street).

Note 7 – Temporarily Restricted Net Assets

The Center's temporarily restricted net assets consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Child and family services	\$ 27,819	\$ 18,752
Youth programs	2,000	21,000
General mission - time restricted	46,455	0
Capital expenditure fund	9,516	0
	<u>\$ 85,790</u>	<u>\$ 39,752</u>

Temporarily restricted net assets were transferred or released for the following purposes for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Program restrictions	<u>\$ 247,660</u>	<u>\$ 254,973</u>

Note 8 - Employee Benefit Plan

The Center maintains a tax-deferred compensation plan under Section 403(b) of the Internal Revenue Code. Prior to January 1, 2009, the plan provided retirement benefits to eligible employees based on a contribution of 2% of compensation. Effective January 1, 2009, the Board of Directors voted to curtail the 2% contribution until economic conditions improve. The plan also includes a Center discretionary matching contribution of 25% of employees' voluntary salary reductions up to a maximum of 6% of each eligible employee's compensation. There has been no change to the plan's discretionary matching contribution. Employees who have attained the age of 21, one thousand hours of service and completed one year of employment are eligible to participate in the plan. For the years ended June 30, 2011 and 2010, the Centers' contributions to the plan amounted to \$13,428 and \$11,630, respectively.

Note 9 - Retirement Agreement

During the fiscal year ended June 30, 2005, the Center entered into a non-qualified retirement plan agreement with its former executive director. Effective on his retirement date of June 30, 2005, the non-qualified retirement plan agreement consisted of multiple components including a cash payment, payment of accrued vacation pay, retiree medical coverage for life, and an annual benefit payment for life that commenced on January 1, 2006. The present value of all the components of the non-qualified retirement plan agreement approximated \$421,000 and was accrued and charged to operations for the year ended June 30, 2005. As of June 30, 2011 and 2010, the outstanding obligation under the former executive director's nonqualified retirement plan agreement approximated \$320,000 and \$304,000, respectively.

Note 9 - Retirement Agreement (Cont.)

The value of the retiree medical coverage was calculated using a discount rate of 4.75% and a health care cost trend rate of 4% at June 30, 2011, and is included as a component of the non-qualified retirement plan liability in the statement of financial position. Medical insurance premiums paid by the Center on behalf of the former executive director were approximately \$4,500 and \$4,100, respectively, for the years ended June 30, 2011 and 2012.

The defined benefit component of the agreement calls for payments to the former executive director approximating \$31,800 annually for life. The obligation is payable in monthly installments of \$2,650. The total projected benefit obligation is also included as part of the non-qualified retirement plan liability in the statement of financial position, and was actuarially determined based on the former director's life expectancy. The discount rate used to determine the present value of future benefit obligations at June 30, 2011 was 4.75%.

During both years ended June 30, 2011 and 2010, the Center disbursed approximately \$39,000 to the former executive director in accrued non-qualified retirement benefits. Changes in actuarially determined assumptions resulted in a charge to operations of approximately \$55,000 and \$47,000 for the years ended June 30, 2011 and 2010, respectively.

The expected future estimated payments are summarized by years as follows:

<u>Fiscal Year Ending June 30</u>	<u>Defined Benefit</u>	<u>Medical Coverage</u>	<u>Total</u>
2012	\$ 31,800	\$ 7,400	\$ 39,200
2013	30,600	7,400	38,000
2014	29,300	7,400	36,700
2015	27,900	7,300	35,200
2016	26,400	7,200	33,600
Future years	106,200	32,600	138,800
	<u>\$ 252,200</u>	<u>\$ 69,300</u>	<u>\$ 321,500</u>

Both plans are unfunded as of June 30, 2011 and 2010.

Note 10 - Lease Commitments

Agreements as Lessor of Facilities - The Center leases office and program space at its two owned locations, 492 Waltham Street and 429 Cherry Street, West Newton, Massachusetts, as well as parking spaces located at the Center's Waltham Street facility. Effective September 5, 2009, the Center and the Waltham Street building tenant terminated a pre-existing tenant-at-will agreement and entered into a new agreement to lease the existing space through June 30, 2011. The lease agreement called for monthly rent of \$1,730 and obligated the tenant for its proportionate share of stated operating costs. The agreement also contained two options to extend the lease for a one-year term. During 2011, the Waltham Street tenant chose to not exercise its option to extend the lease.

The Center is party to an agreement to lease space at 429 Cherry Street. The amended lease agreement required a monthly rent payment of \$578 through August 31, 2010. No new lease has been instated as this property was put on the market for sale during September 2010, however the tenant will occupy the space until it is sold and will continue to pay \$578 monthly (see Note 5).

On September 1, 2010, the Center began renting five parking spaces to a local restaurant for use during non-operating hours. Each space is rented at the rate of \$100 per month through July 31, 2015 with the option to extend the term of the lease for up to five years at \$125 per space per month.

Rental income for the three locations was \$36,821 and \$32,512 for the years ended June 30, 2011 and 2010, respectively.

Note 10 - Lease Commitments (Cont.)

The future minimum lease receipts are as follows:

<u>Year Ending June 30</u>	
2012	\$ 6,000
2013	6,000
2014	6,000
2015	6,000
2016	500
	<u>\$ 24,500</u>

Agreement as Lessee of Facility – Effective September 1, 2009, the Center entered into a five-year agreement to lease program space at 1254 Chestnut Street, Newton Upper Falls, Massachusetts. The program facility, referred to as the “Southside Teen Center”, provides space for the Center’s Safe School/Healthy Student program. The lease agreement requires a fixed monthly payment of \$4,125 and the Center has the option to terminate the agreement if funding for Safe Schools/Healthy Students program is insufficient to meet the lease obligation.

Rent expense for the Chestnut Street facility was \$49,500 and \$41,250 for the years ended June 30, 2011 and 2010, respectively.

The future minimum lease payments are as follows:

<u>Year Ending June 30</u>	
2012	\$ 49,500
2013	49,500
2014	<u>49,500</u>
	<u>\$ 148,500</u>

Note 11 - Other Commitments and Contingencies

Unemployment Compensation Insurance - Effective January 1, 2008, the Center elected to finance the benefit cost of unemployment compensation insurance by reimbursing the Commonwealth of Massachusetts Department of Workforce Development for unemployment compensation paid. Prior to January 1, 2008, the Center had elected to pay the contributory payroll tax to the Commonwealth. Under the current arrangement, approximately \$21,000 and \$25,000 was paid to the Commonwealth for benefits incurred during the years ended June 30, 2011 and 2010, respectively.

Government Contracts - The Center receives a portion of its funding from various agencies of the Commonwealth of Massachusetts and from the Federal government. These contracts are subject to audit by the appropriate governmental agencies and could result in the recapture by the agencies of revenue previously reported by the Center. In the opinion of management, the results of such audits, if any, would not have a material effect on the financial position of the Center as of June 30, 2011 or on its results of operations for the year then ended.

Note 12 - Financial Instruments and Concentrations of Credit Risk

The Center maintains a significant portion of its cash and short-term investment balances in various local financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 each. At times during the year, cash balances may exceed the insured amounts. At June 30, 2011, approximately \$448,000 was on deposit in excess of the FDIC insurance limit based on bank balances. The Center performs periodic evaluations of the relative credit standings of the banks to limit the amount of credit exposure with these financial institutions.

Note 12 - Financial Instruments and Concentrations of Credit Risk (Cont.)

The Center received approximately \$853,000 or 21% of its total support and revenue from the Commonwealth of Massachusetts during the year ended June 30, 2011 (\$993,000 or 25% in 2010). Approximately \$99,000 (87%) of accounts receivable balances at June 30, 2011 were from departments and agencies of the Commonwealth of Massachusetts, the City of Newton, and the federal government (\$258,000 or 75% at June 30, 2010).

Note 13 - Surplus Revenue Retention Regulations

The Commonwealth of Massachusetts, Division of Purchased Services regulations concerning "Not-for-Profit Surplus Revenue Retention" permit not-for-profit providers, such as the Center, to retain a "surplus" of up to 5% of revenues attributable to agreements with the Commonwealth of Massachusetts for the provision of social services, and to utilize such surplus for its established charitable purposes. The regulations also limit the cumulative amount of such retained surplus to an amount equal to 20% of the prior year's related gross revenues.

Excess surplus revenues may be recouped by the Commonwealth via price reductions in future agreements, by the return of such funds to the Commonwealth, or by the Commonwealth stipulating the use of such funds.

According to the Division's policy, surplus revenue retention within the allowable limits is to be reported or disclosed as a component of unrestricted fund balance. Any surplus revenue retained in excess of the aforementioned limits is to be reported as an unrestricted liability. The Center has no surplus revenue.

The following represents the components of unrestricted net assets:

	Unrestricted Net Assets	Comm. of Massachusetts Cumulative Surplus Revenue (Deficits)	Total
Balance at June 30, 2008	\$ 5,545,581	\$ (3,349,169)	\$ 2,196,412
Change in Net Assets	165,340	(431,267)	(265,927)
Balance at June 30, 2009	5,710,921	(3,780,436)	1,930,485
Change in Net Assets	(34,283)	(379,223)	(413,506)
Balance at June 30, 2010	5,676,638	(4,159,659)	1,516,979
Change in Net Assets	(198,410)	(365,005)	(563,415)
Balance at June 30, 2011	\$ 5,478,228	\$ (4,524,664)	\$ 953,564

Note 14 – Related Party Transaction

The actuarially determined amounts for the Center's nonqualified retirement plan (see Note 9) were provided by a consulting firm, the president of which is also the Center's treasurer. The consulting firm's service fees charged to the Center for 2011 were \$1,250.