

**Single Audit
Reporting Package**

**Newton Community Service
Centers, Inc.**

June 30, 2010

G. T. Reilly & Company
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Moore Stephens Reilly, P.C.
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INDEPENDENT AUDITORS' REPORT

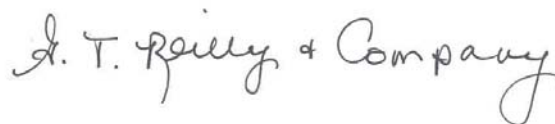
Board of Directors
Newton Community Service Centers, Inc.

We have audited the accompanying statements of financial position of Newton Community Service Centers, Inc. as of June 30, 2010 and 2009, 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, 2010 and 2009, 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 December 21, 2010 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
December 21, 2010

Newton Community Service Centers, Inc.

Statements of Financial Position

June 30

	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash	\$ 39,970	\$ 178,628
Short term investments (Note 2)	-	53,527
Accounts receivable, net of allowance for doubtful accounts of \$2,000 in 2010 and 2009	344,285	237,526
Contributions receivable (Notes 2 & 3)	3,333	17,850
Prepaid expenses	22,158	48,895
TOTAL CURRENT ASSETS	409,746	536,426
INVESTMENTS, at fair value (Notes 2 & 4)	533,083	467,968
PROPERTY AND EQUIPMENT, net (Notes 2 & 5)	1,881,317	1,870,172
TOTAL ASSETS	\$ 2,824,146	\$ 2,874,566
<u>Liabilities and Net Assets</u>		
CURRENT LIABILITIES		
Bank line of credit (Note 6)	\$ 294,000	\$ 65,000
Accounts payable	217,397	183,760
Accrued expenses	205,685	179,164
Deferred revenues (Note 2)	156,079	150,807
Current portion of non-qualified retirement plan (Note 9)	36,800	36,800
Client deposits and other liabilities	90,578	51,104
TOTAL CURRENT LIABILITIES	1,000,539	666,635
NON-QUALIFIED RETIREMENT PLAN, less current portion (Note 9)	266,876	258,076
NET ASSETS (Notes 2 & 7)		
Unrestricted	1,516,979	1,930,485
Temporarily restricted	39,752	19,370
TOTAL NET ASSETS	1,556,731	1,949,855
TOTAL LIABILITIES AND NET ASSETS	\$ 2,824,146	\$ 2,874,566

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)	<u>68,782</u>		<u>68,782</u>
Net assets released from restrictions (Note 7)	<u>254,973</u>	<u>(254,973)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<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	<u>(413,506)</u>	<u>20,382</u>	<u>(393,124)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>1,930,485</u>	<u>19,370</u>	<u>1,949,855</u>
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.

Statements of Activities and Changes in Net Assets

Year Ended June 30, 2009

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support:			
Contributions	\$ 179,798	\$ 113,144	\$ 292,942
United Way	201,225	-	201,225
Grants and donations	102,774	312,627	415,401
	<u>483,797</u>	<u>425,771</u>	<u>909,568</u>
Program Service Revenue:			
Contracts	1,529,803	-	1,529,803
Tuition and fees	1,525,248	-	1,525,248
Rental and other income	45,556	-	45,556
	<u>3,100,607</u>	<u>-</u>	<u>3,100,607</u>
Investment losses and income, net (Note 4)	<u>(48,444)</u>		<u>(48,444)</u>
Net assets released from restrictions (Note 7)	<u>424,548</u>	<u>(424,548)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>3,960,508</u>	<u>1,223</u>	<u>3,961,731</u>
EXPENSES			
Program services:			
Child and family services	2,679,421	-	2,679,421
Youth programs	385,529	-	385,529
Community programs	143,874	-	143,874
	<u>3,208,824</u>	<u>-</u>	<u>3,208,824</u>
General and administrative	783,409	-	783,409
Fundraising and development	234,202	-	234,202
	<u>4,226,435</u>	<u>-</u>	<u>4,226,435</u>
TOTAL EXPENSES	<u>4,226,435</u>	<u>-</u>	<u>4,226,435</u>
CHANGE IN NET ASSETS	<u>(265,927)</u>	<u>1,223</u>	<u>(264,704)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>2,196,412</u>	<u>18,147</u>	<u>2,214,559</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,930,485</u>	<u>\$ 19,370</u>	<u>\$ 1,949,855</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	232,628	115,867	8,520	357,015	7,441	7,620	372,076
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.

Statement of Functional Expenses

For the Year Ended June 30, 2009

	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	\$ 1,496,109	\$ 228,457	\$ 99,408	\$ 1,823,974	\$ 383,102	\$ 87,341	\$ 2,294,417
Payroll taxes	135,962	20,928	9,267	166,157	36,678	7,947	210,782
Fringe benefits	90,089	13,757	5,986	109,832	39,103	5,259	154,194
Staff training	9,360	95	60	9,515	1,660	220	11,395
Independent contractors	248,024	1,131	9,028	258,183	10,849	36,397	305,429
Professional fees and temporary help	19,255	59	1,165	20,479	18,535	31,328	70,342
Occupancy and facility cost	255,027	87,485	8,171	350,683	7,130	4,541	362,354
Insurance	11,609	4,200	1,004	16,813	31,396	-	48,209
Office supplies	11,488	6,789	3,180	21,457	20,674	13,146	55,277
Program expense	222,488	8,979	1,830	233,297	7,801	1,808	242,906
Telephone	10,371	3,122	1,201	14,694	5,414	981	21,089
Computer expense	16,597	3,104	1,655	21,356	23,212	3,986	48,554
Transportation	139,177	841	1,524	141,542	9,171	16	150,729
Interest expense	-	-	-	-	3,419	-	3,419
Bank & other fees	-	-	-	-	36,556	-	36,556
Recruiting	1,280	1,542	-	2,822	1,917	6,033	10,772
Fundraising	-	-	-	-	1,532	35,132	36,664
Audit and accounting	-	-	-	-	33,000	-	33,000
Other expenses	5,142	124	395	5,661	5,328	67	11,056
Depreciation	7,443	4,916	-	12,359	106,932	-	119,291
	<u>\$ 2,679,421</u>	<u>\$ 385,529</u>	<u>\$ 143,874</u>	<u>\$ 3,208,824</u>	<u>\$ 783,409</u>	<u>\$ 234,202</u>	<u>\$ 4,226,435</u>

Newton Community Service Centers, Inc.

Statements of Cash Flows

Years Ended June 30

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (393,124)	\$ (264,704)
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation	115,862	119,291
Unrealized (gains) losses on investments	(16,081)	5,220
Realized (gains) losses on investments	(37,639)	59,242
Gain on sale of land	(39,304)	-
Changes in operating assets and liabilities:		
Accounts receivable	(106,759)	(47,597)
Contributions receivable	14,517	1,050
Prepaid expenses	26,737	(17,398)
Accounts payable	33,637	57,413
Accrued expenses and other liabilities	74,795	(11,558)
Deferred revenue	5,272	(56,355)
NET CASH USED IN OPERATING ACTIVITIES	<u>(322,087)</u>	<u>(155,396)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in short-term investments	53,527	(1,757)
Proceeds from sale of investments	274,282	593,848
Purchase of investments	(285,677)	(601,163)
Purchase of property and equipment	(141,462)	(21,895)
Proceeds from sale of land	53,759	-
NET CASH USED IN INVESTING ACTIVITIES	<u>(45,571)</u>	<u>(30,967)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank line of credit, net	<u>229,000</u>	<u>65,000</u>
RESULTING IN A NET DECREASE IN CASH	(138,658)	(121,363)
CASH AT BEGINNING OF YEAR	<u>178,628</u>	<u>299,991</u>
CASH AT END OF YEAR	<u>\$ 39,970</u>	<u>\$ 178,628</u>

Supplemental Disclosure of Cash Flow Information

Cash paid for interest	<u>\$ 9,702</u>	<u>\$ 3,419</u>
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Newton Community Service Centers, Inc.

Notes to Financial Statements

June 30, 2010

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.

Short-Term Investments - The Center reports bank certificates of deposit with maturities exceeding three months as short-term investments .

Accounts Receivable – Accounts 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 expands disclosures about fair value measurements. This standard applies to certain other existing accounting pronouncements that require or permit fair value measurements. It does not establish or change any existing requirements for fair value accounting. 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, 2010 up through December 21, 2010, 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>2010</u>	<u>2009</u>
Unconditional promises expected to be collected in less than one year	<u>\$ 3,333</u>	<u>\$ 17,850</u>

Note 4 – Investments

Under ASC Topic 820, valuation techniques used to measure fair value 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, 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 and 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	70,132	-	-	70,132
	<u>\$533,083</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$533,083</u>

June 30, 2009

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$300,622	\$ -	\$ -	\$300,622
Mutual Funds	80,796	-	-	80,796
U.S. Treasury Money Market	86,550	-	-	86,550
	<u>\$467,968</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$467,968</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 are classified within Level 1 of the valuation hierarchy.

The Center recorded realized and unrealized gains on investments of \$37,639 and \$16,081, respectively, for the year ended June 30, 2010, and the Center recorded realized and unrealized losses on investments of \$59,242 and \$5,220 for the year ended June 30, 2009.

The net (loss) income on investments is as follows for the years ended June 30:

	<u>2010</u>	<u>2009</u>
Realized gains (losses)	\$ 37,639	\$ (59,242)
Unrealized gains (losses)	16,081	(5,220)
Interest and dividend income	15,062	16,018
	<u>\$ 68,782</u>	<u>\$ (48,444)</u>

Note 5 - Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
Land	\$ 9,409	\$ 18,797
Buildings and improvements	3,048,776	2,912,192
Playground equipment	88,952	88,952
Office and program equipment	190,956	190,956
Motor vehicles	28,949	19,049
	<u>3,367,042</u>	<u>3,229,946</u>
Less: Accumulated Depreciation	1,485,725	1,359,774
	<u>\$ 1,881,317</u>	<u>\$ 1,870,172</u>

Depreciation expense was \$115,862 and \$119,291 for the years ended June 30, 2010 and 2009, respectively.

During April and May of 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.

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. Borrowings under the agreement are due on demand, and interest is payable monthly at the Wall Street Journal's prime, floating daily rate (3.25% at June 30, 2010 and 2009). The line of credit is to be renewed annually and is collateralized by a first real estate mortgage and assignment of rents on property located at 429 Cherry Street, Newton, Massachusetts. The outstanding balances under this agreement at June 30, 2010 and 2009, respectively were \$294,000 and \$65,000.

Subsequent to year-end, on August 10, 2010, the Center refinanced its existing 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 will be payable monthly at the Wall Street Journal's prime floating rate, and in no event will the interest rate be less than 4.25%. The other terms and conditions of the refinancing remain consistent with that of the previous agreement.

Note 7 – Temporarily Restricted Net Assets

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

	<u>2010</u>	<u>2009</u>
Parent programs	\$ 2,267	\$ 3,229
Family child care programs	7,588	12,418
Child care scholarships	8,897	-
Youth programs	21,000	2,500
	<u>\$ 39,752</u>	<u>\$ 18,147</u>

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

	<u>2010</u>	<u>2009</u>
Program restrictions	<u>\$ 254,973</u>	<u>\$ 424,548</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, 2010 and 2009, the Centers' contributions to the plan amounted to \$11,630 and \$26,983, 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, 2010 and 2009, the outstanding obligation under the former executive director's nonqualified retirement plan agreement approximated \$304,000 and \$295,000, respectively.

The value of the retiree medical coverage was calculated using a discount rate of 6% and a health care cost trend rate of 5% at June 20, 2010, and is included as a component of the non-qualified retirement plan liability in the statement of financial position.

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, 2010 was 5%.

During both years ended June 30, 2010 and 2009, the Center disbursed approximately \$37,500 to the former executive director in accrued non-qualified retirement benefits. Changes in actuarially determined assumptions resulted in a charge to operations of approximately \$47,000 and \$16,000 for the years ended June 30, 2010 and 2009, respectively.

The expected future estimated non-qualified retirement benefit 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>
2011	\$ 30,800	\$ 6,000	\$ 36,800
2012	29,800	6,200	36,000
2013	28,600	6,300	34,900
2014	27,300	6,400	33,700
2015	26,000	6,500	32,500
Future years	109,000	20,776	129,776
	<u>\$ 251,500</u>	<u>\$ 52,176</u>	<u>\$ 303,676</u>

Both plans are unfunded as of June 30, 2010 and 2009.

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. During fiscal 2009, the Center was receiving \$1,185 per month under a tenant-at-will arrangement for office space at its principal facility (Waltham Street). Effective September 5, 2008, the Center and the Waltham Street tenant terminated the tenant-at-will agreement and entered into a new agreement to lease the existing space through June 30, 2011. The new lease agreement calls for monthly rent of \$1,730 and obligates the tenant for its proportionate share of stated operating costs. The agreement also contains two options to extend the lease for a one-year term.

Also, during September 2008, the Center entered into an agreement to lease space at 429 Cherry Street. The two-year agreement stipulates that the tenant will provide the Center with professional website design services in lieu of rent. The second year of the agreement requires a monthly rent payment of \$1,012. This agreement was amended during August 2009, due to decreasing square footage leased. The amended lease agreement requires a monthly rent payment of \$578. Rental income was \$32,512 (\$2,296 as in-kind) and \$34,926 (\$11,332 as in-kind) for the years ended June 30, 2010 and 2009, respectively.

The future minimum lease receipts for the year ending June 30, 2011 are \$21,915.

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 new program facility, referred to as the “Southside Teen Center”, will provide space for the Center’s new 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 \$41,250 for the year ended June 30, 2010.

The future minimum lease payments are as follows:

<u>Year Ending</u> <u>June 30</u>	
2011	\$ 49,500
2012	49,500
2013	49,500
2014	49,500
	<u>\$ 198,000</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 \$25,000 and \$38,600 was paid to the Commonwealth for benefits incurred during the years ended June 30, 2010 and 2009, 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, 2010 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 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. On June 30, 2010, none of the Center's cash balances exceeded FDIC coverage, based upon 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.

The Center received approximately \$993,000 or 25% of its support and revenue from the Commonwealth of Massachusetts during the year ended June 30, 2010 (\$1,192,000 or 30% in 2009). Approximately \$258,000 (75%) of accounts receivable balances at June 30, 2010 were from departments and agencies of the Commonwealth of Massachusetts, the City of Newton, and the federal government (\$160,000 or 67% at June 30, 2009).

The Center invests in various mutual funds, stocks and money market funds as summarized in Note 4. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

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, 2007	\$ 5,400,809	\$ (2,976,738)	\$ 2,424,071
Change in Net Assets	144,772	(372,431)	(227,659)
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	49,916	(450,000)	(400,084)
Balance at June 30, 2010	\$ 5,760,837	\$ (4,230,436)	\$ 1,530,401