

Audited Financial Statements
**Newton Community Service
Centers, Inc.**
June 30, 2009

Newton Community Service Centers, Inc.

Audited Financial Statements

June 30, 2009

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Reilly Consulting Group, Inc.
ReillyTech
Reilly Benefits
Reilly Small Business Group

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, 2009 and 2008, 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. 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, 2009 and 2008, 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.

G. T. Reilly & Company

G. T. Reilly & Company

Milton, Massachusetts
October 13, 2009

Newton Community Service Centers, Inc.

Statements of Financial Position

June 30

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash	\$ 178,628	\$ 299,991
Short term investments (Notes 2 & 3)	53,527	51,770
Accounts receivable, net of allowance for doubtful accounts of \$2,000 in 2009 and 2008	237,526	189,929
Contributions receivable (Notes 2 & 4)	17,850	18,900
Prepaid expenses	48,895	31,497
	<u>536,426</u>	<u>592,087</u>
TOTAL CURRENT ASSETS	536,426	592,087
INVESTMENTS, at fair value (Notes 2 & 5)	<u>467,968</u>	<u>525,115</u>
PROPERTY AND EQUIPMENT, net (Notes 2 & 6)	<u>1,870,172</u>	<u>1,967,568</u>
TOTAL ASSETS	<u>\$ 2,874,566</u>	<u>\$ 3,084,770</u>
 <u>Liabilities and Net Assets</u>		
CURRENT LIABILITIES		
Bank line of credit (Note 7)	\$ 65,000	\$ -
Accounts payable	183,760	126,347
Accrued expenses	179,164	166,480
Deferred revenues (Note 2)	150,807	207,162
Current portion of non-qualified retirement plan (Note 10)	36,800	37,676
Client deposits and other liabilities	51,104	53,622
	<u>666,635</u>	<u>591,287</u>
TOTAL CURRENT LIABILITIES	666,635	591,287
NON-QUALIFIED RETIREMENT PLAN, less current portion (Note 10)	<u>258,076</u>	<u>278,924</u>
NET ASSETS (Notes 2 & 8)		
Unrestricted	1,930,485	2,196,412
Temporarily restricted	19,370	18,147
TOTAL NET ASSETS	<u>1,949,855</u>	<u>2,214,559</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,874,566</u>	<u>\$ 3,084,770</u>

Newton Community Service Centers, Inc.

Statements of Activities and Changes in Net Assets

Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily 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 gains (losses) and income, net (Note 5)	<u>(48,444)</u>		<u>(48,444)</u>
Net assets released from restrictions (Note 8)	<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.

Statements of Activities and Changes in Net Assets

Year Ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support:			
Contributions	\$ 111,842	\$ 207,100	\$ 318,942
United Way	241,784	-	241,784
Grants and donations	262,924	204,890	467,814
	<u>616,550</u>	<u>411,990</u>	<u>1,028,540</u>
Program Service Revenue:			
Contracts	1,433,720	-	1,433,720
Tuition and fees	1,581,774	-	1,581,774
Rental and other income	100,710	-	100,710
	<u>3,116,204</u>	<u>-</u>	<u>3,116,204</u>
Investment gains (losses) and income, net (Note 5)	<u>(3,467)</u>		<u>(3,467)</u>
Net assets released from restrictions (Note 8)	<u>413,782</u>	<u>(413,782)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>4,143,069</u>	<u>(1,792)</u>	<u>4,141,277</u>
EXPENSES			
Program services:			
Child and family services	2,793,882	-	2,793,882
Youth programs	381,464	-	381,464
Community programs	169,140	-	169,140
	<u>3,344,486</u>	<u>-</u>	<u>3,344,486</u>
General and administrative	770,088	-	770,088
Fundraising and development	256,154	-	256,154
	<u>4,370,728</u>	<u>-</u>	<u>4,370,728</u>
CHANGE IN NET ASSETS	<u>(227,659)</u>	<u>(1,792)</u>	<u>(229,451)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>2,424,071</u>	<u>19,939</u>	<u>2,444,010</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,196,412</u>	<u>\$ 18,147</u>	<u>\$ 2,214,559</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.

Statement of Functional Expenses

For the Year Ended June 30, 2008

	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	\$ 1,453,152	\$ 202,847	\$ 102,470	\$ 1,758,469	\$ 397,588	\$ 124,825	\$ 2,280,882
Payroll taxes	131,722	18,337	9,207	159,266	20,466	11,414	191,146
Fringe benefits	133,403	18,668	9,383	161,454	59,147	12,273	232,874
Staff training	4,385	-	646	5,031	2,575	400	8,006
Independent contractors	371,277	120	14,670	386,067	5,798	26,430	418,295
Professional fees and temporary help	24,991	104	1,700	26,795	13,736	12,528	53,059
Occupancy and facility cost	306,994	95,904	9,420	412,318	(8,039)	3,636	407,915
Insurance	12,272	4,200	1,510	17,982	31,378	-	49,360
Office supplies	18,774	7,883	6,381	33,038	21,866	24,750	79,654
Program expense	183,819	14,955	5,949	204,723	5,927	35	210,685
Telephone	9,323	4,171	1,159	14,653	4,826	859	20,338
Computer expense	5,252	1,848	1,055	8,155	17,632	4,441	30,228
Transportation	125,653	4,300	2,633	132,586	7,919	162	140,667
Bank & other fees	111	46	49	206	34,533	80	34,819
Recruiting	1,215	585	470	2,270	10,335	75	12,680
Fundraising	2,590	-	-	2,590	198	34,060	36,848
Audit and accounting	-	-	-	-	31,500	-	31,500
Other expenses	2,418	1,198	2,438	6,054	3,443	186	9,683
Depreciation	6,531	6,298	-	12,829	109,260	-	122,089
	<u>\$ 2,793,882</u>	<u>\$ 381,464</u>	<u>\$ 169,140</u>	<u>\$ 3,344,486</u>	<u>\$ 770,088</u>	<u>\$ 256,154</u>	<u>\$ 4,370,728</u>

Newton Community Service Centers, Inc.

Statements of Cash Flows

Years Ended June 30

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (264,704)	\$ (229,451)
Adjustments to reconcile to net cash provided from operating activities:		
Depreciation	119,291	122,089
Unrealized losses on investments	5,220	55,000
Realized losses (gains) on investments	59,242	(24,104)
Gain on sale of land	-	(68,443)
Changes in operating assets and liabilities:		
Accounts receivable	(47,597)	50,232
Contributions receivable	1,050	44,300
Prepaid expenses	(17,398)	(8,366)
Accounts payable	57,413	12,460
Accrued expenses and other liabilities	(11,558)	(20,264)
Deferred revenue	(56,355)	15,083
	<u>(155,396)</u>	<u>(51,464)</u>
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in short-term investments	(1,757)	(15,795)
Proceeds from sale of investments	593,848	350,916
Purchase of long-term investments	(601,163)	(320,496)
Purchase of property and equipment	(21,895)	(53,144)
Proceeds from sale of land	-	93,210
	<u>(30,967)</u>	<u>54,691</u>
NET CASH (USED IN) PROVIDED FROM INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank line of credit, net	65,000	-
	<u>(121,363)</u>	<u>3,227</u>
RESULTING IN A NET (DECREASE) INCREASE IN CASH		
CASH AT BEGINNING OF YEAR	<u>299,991</u>	<u>296,764</u>
CASH AT END OF YEAR	<u>\$ 178,628</u>	<u>\$ 299,991</u>

Newton Community Service Centers, Inc.

Notes to Financial Statements

June 30, 2009

Note 1 – Nature of Activities

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

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.

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.

Note 2 - Significant Accounting Policies (Cont.)

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 Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations", 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. As permitted by this statement, the Center discontinued its use of fund accounting for financial reporting purposes (see Note 8 regarding restrictions on net assets).

Contributions and Donor Restrictions – Under SFAS No. 116, "Accounting for Contributions Received and Contributions Made", 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 8). 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 (see Note 3).

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.

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 6).

Note 2 - Significant Accounting Policies (Cont.)

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 – Investments in marketable equity securities with readily determinable fair values (including mutual funds) and all debt securities are reported at fair value, with realized and unrealized gains and losses reflected in the statement of activities as investment income (see Note 5).

Fair Value Measurements – Effective July 1, 2008, the Center adopted Financial Accounting Standards Board (FASB) Statement No. 157 (FAS 157), “Fair Value Measurements”, for asset and liabilities that are measured at fair value on a recurring basis. FAS 157 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.

FAS 157 defines fair value and it establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers consist of: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The initial application of FAS 157 is limited to the Center’s investments in marketable equity securities, corporate bonds, mutual funds and government obligations, which are based on quoted prices in active markets (Level 1) (see Note 5).

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 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, 2009 (the date of the accompanying financial statements) up through September 30, 2009, the date the accompanying financial statements were available to be issued.

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 3 - Short-Term Investments

Short-term investments consist of the following at June 30:

	Weight Avg. Yield June 30, 2009	<u>2009</u>	<u>2008</u>
Bank certificate of deposit	3.20%	\$ <u>53,527</u>	\$ <u>51,770</u>

The Center's bank certificates of deposit have maturities of one year or less.

Note 4 - Contributions Receivable

Contributions receivable are summarized as follows at June 30:

	<u>2009</u>	<u>2008</u>
Unconditional promises expected to be collected in less than one year	\$ <u>17,850</u>	\$ <u>18,900</u>

Note 5 - Investments

The Center's investments consist of the following at June 30, 2009:

	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Fair Value</u>
Quasi-Endowment Fund:			
Stocks	\$ 151,660	\$ 1,093	\$ 152,753
Mutual Funds	47,174	1,005	48,179
Cash	33,521	-	33,521
	<u>232,355</u>	<u>2,098</u>	<u>234,453</u>
Investment Fund:			
Stocks	148,460	(591)	147,869
Mutual Funds	31,805	812	32,617
Cash	53,029	-	53,029
	<u>233,294</u>	<u>221</u>	<u>233,515</u>
Total Investments	<u>\$ 465,649</u>	<u>\$ 2,319</u>	<u>\$ 467,968</u>

The Center's investments consist of the following at June 30, 2008:

	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Fair Value</u>
Quasi-Endowment Fund:			
Stocks	\$ 135,386	\$ 5,947	\$ 141,333
U.S. Treasury Bills	70,891	(701)	70,190
Bonds	30,520	-	30,520
Cash	19,222	-	19,222
	<u>256,019</u>	<u>5,246</u>	<u>261,265</u>
Investment Fund:			
Stocks	168,786	2,099	170,885
U.S. Treasury Bills	15,012	194	15,206
Bonds	36,402	-	36,402
Cash	41,357	-	41,357
	<u>261,557</u>	<u>2,293</u>	<u>263,850</u>
Total Investments	<u>\$ 517,576</u>	<u>\$ 7,539</u>	<u>\$ 525,115</u>

Note 5 – Investments (Cont.)

The Center recorded realized and unrealized losses on investments of \$59,242 and \$5,220, respectively, for the year ended June 30, 2009, and the Center recorded realized gains of \$24,104 and unrealized losses on investments of \$55,000 for the year ended June 30, 2008. Investment advisory fees approximated \$5,400 for both years ended June 30, 2009 and 2008.

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

	<u>2009</u>	<u>2008</u>
Realized (losses) gains	\$ (59,242)	\$ 24,104
Unrealized losses	(5,220)	(55,000)
Interest and dividend income	<u>16,018</u>	<u>27,429</u>
	<u>\$ (48,444)</u>	<u>\$ (3,467)</u>

Note 6 - Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Land	\$ 18,797	\$ 18,797
Buildings and improvements	2,912,192	2,890,296
Playground equipment	88,952	88,952
Office and program equipment	190,956	190,956
Motor vehicles	<u>19,049</u>	<u>19,049</u>
	<u>3,229,946</u>	<u>3,208,050</u>
Less: Accumulated Depreciation	<u>1,359,774</u>	<u>1,240,482</u>
	<u>\$ 1,870,172</u>	<u>\$ 1,967,568</u>

Depreciation expense was \$119,291 and \$122,089 for the years ended June 30, 2009 and 2008, respectively.

During December 2007, the Center sold approximately thirty-one out of the fifty-four total acres of Vermont land it had obtained via a gift during the early 1980's. Gross proceeds realized from the sale of approximately \$93,000 resulted in a gain of approximately \$68,000. During 2008, the Center was awarded a \$20,000 quality improvement grant from the Commonwealth of Massachusetts. The grant funds were applied to facility improvements and program equipment for the Center's educational child care programs. The Commonwealth maintains a reversionary interest in the improvements and equipment.

Note 7 – 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, 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. As of June 30, 2009, \$65,000 is outstanding under this agreement. There were no line of credit borrowings at June 30, 2008.

Note 8 - Net Assets

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

	<u>2009</u>	<u>2008</u>
Unrestricted:		
Land, building and equipment net assets	\$ 1,870,172	\$ 1,967,568
Designated by the Board for investment	<u>60,313</u>	<u>228,844</u>
	<u>\$ 1,930,485</u>	<u>\$ 2,196,412</u>
Temporarily restricted:		
Parent programs	\$ 2,267	\$ 3,229
Family child care programs	12,663	12,418
Child care scholarships	<u>4,440</u>	<u>2,500</u>
	<u>\$ 19,370</u>	<u>\$ 18,147</u>

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

	<u>2009</u>	<u>2008</u>
Program restrictions	<u>\$ 424,548</u>	<u>\$ 413,782</u>

Unrestricted net assets designated by the Board of Directors for investment purposes represent invested funds set aside with the intention of maintaining the principal amount. The investment income earned on the fund investments is used in the Center's operations.

Note 9 - 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, 2009 and 2008, the Centers' contributions to the plan amounted to \$26,983 and \$43,573, respectively.

Note 10 - 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, 2009 and 2008, the outstanding obligation under the former executive director's nonqualified retirement plan agreement approximated \$295,000 and \$316,000, 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, 2009, and is included as a component of the non-qualified retirement plan liability in the statement of financial position.

Note 10 - Retirement Agreement

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, 2009 was 6.25%.

During both years ended June 30, 2009 and 2008, the Center disbursed approximately \$37,500 to the former executive director in accrued non-qualified retirement benefits. Changed in actuarially determined assumptions resulted in a charge to operations of approximately \$16,000 and \$74,000 for the years ended June 30, 2009 and 2008, 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>
2010	\$ 30,800	6,000	\$ 36,800
2011	29,800	6,200	36,000
2012	28,600	6,300	34,900
2013	27,300	6,400	33,700
2014	26,000	6,500	32,500
Future years	100,200	20,776	120,976
	<u>\$ 242,700</u>	<u>\$ 52,176</u>	<u>\$ 294,876</u>

Both plans are unfunded as of June 30, 2009 and 2008.

The actuarially determined amounts for the Center's nonqualified retirement plan were provided by a consulting firm, of which the Center's treasurer is president. The consulting firm's services for both 2009 and 2008 were provided free of charge.

Note 11 - 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 both fiscal 2009 and 2008, 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 rentals 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. Rental income was \$34,926 (\$11,332 as in-kind) and \$22,920 for the years ended June 30, 2009 and 2008, respectively.

The future minimum lease receipts are as follows:

<u>Year Ending June 30</u>	
2010	\$ 30,885
2011	<u>22,785</u>
	<u>\$ 53,670</u>

Note 11 - Lease Commitments (Cont.)

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.

The future minimum lease payments are as follows:

<u>Year Ending</u> <u>June 30</u>	
2010	\$ 41,250
2011	49,500
2012	49,500
2013	49,500
2014	49,500
	<u>\$ 239,250</u>

Agreements as Lessee for Equipment - The Center leases a copier machine and accounts for it as an operating lease. The future minimum lease payments for the copier lease are as follows:

<u>Year Ending</u> <u>June 30</u>	
2010	\$ 2,797
2011	<u>1,865</u>
	<u>\$ 4,662</u>

Copier lease expense was \$2,797 for both years ended June 30, 2009 and 2008.

Note 12 - 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 \$38,600 and \$1,500 was paid to the Commonwealth for benefits incurred during the years ended June 30, 2009 and 2008, 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, 2009 or on its results of operations for the year then ended.

Note 13 – Conditional Pledges

During fiscal 2007, in an effort to increase its philanthropic support to help meet its programmatic goals and plans for program changes and expansion, the Center implemented a fundraising campaign, known as the “Second Century Fund”. The pledges are contingent on the Center achieving pre-determined program service deliverables; accordingly, the pledges are considered conditional and, as such, are not reflected in the accompanying financial statements at June 30, 2009 and 2008. The Center has approximately \$65,000 and \$100,000 at June 30, 2009 and 2008, respectively, in unrecorded conditional pledges receivable from residents and companies of the West Newton community.

Note 14 - Financial Instruments and Concentrations of Credit Risk

The Center maintains a significant portion of its cash and short-term investment balances in seven different 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, 2009, 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 \$1,192,000 or 30% of its support and revenue from the Commonwealth of Massachusetts during the year ended June 30, 2009 (\$1,233,000 or 30% in 2008). Approximately \$160,000 (67%) of accounts receivable balances at June 30, 2009 were from departments and agencies of the Commonwealth of Massachusetts, the City of Newton, and the federal government (\$97,000 or 50% at June 30, 2008).

Note 15 - 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