

**Single Audit
Reporting Package**

**Newton Community Service
Centers, Inc.**

June 30, 2012

Newton Community Service Centers, Inc.

Single Audit Reporting Package

June 30, 2012

INDEPENDENT AUDITORS' REPORT	1
AUDITED FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	3
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8
INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	17
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	18
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	20
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON COMPLIANCE AND OTHER MATTERS AND ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	21
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	23
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	25
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	26

G.T. Reilly & Company
ReillyTech
Reilly Benefits
Reilly Business Services

424 Adams Street
Milton, MA 02186-4358
617 696-8900
617 698-1803 fax
www.gtreilly.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Newton Community Service Centers, Inc.

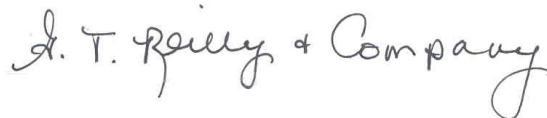
We have audited the accompanying statements of financial position of Newton Community Service Centers, Inc. as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the 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, 2012 and 2011, 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 18, 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.

A more thoroughly discussed in Note 14, the Center's statement of financial position at June 30, 2012 reflects an insufficient amount of liquid assets and a working capital deficiency. The Center has entered into a contingent agreement to sell certain real estate and generate additional liquidity.



G. T. Reilly & Company

Milton, Massachusetts
December 18, 2012

Newton Community Service Centers, Inc.

Statements of Financial Position

June 30

	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash	\$ 547,553	\$ 708,643
Accounts receivable, net of allowance for doubtful accounts of \$2,000 in 2012 and 2011	110,458	111,214
Contributions receivable net of allowance for doubtful accounts of \$3,000 in 2012 and 2011 (Notes 2 & 3)	39,704	73,260
Prepaid expenses	<u>21,561</u>	<u>68,756</u>
TOTAL CURRENT ASSETS	<u>719,276</u>	<u>961,873</u>
PROPERTY AND EQUIPMENT, net (Notes 2, 5, 6 & 14)	<u>1,681,645</u>	<u>1,805,309</u>
TOTAL ASSETS	<u><u>\$ 2,400,921</u></u>	<u><u>\$ 2,767,182</u></u>
 <u>Liabilities and Net Assets</u>		
CURRENT LIABILITIES		
Bank line of credit (Notes 5, 6 & 14)	\$ 927,905	\$ 723,732
Accounts payable	186,942	200,694
Accrued expenses	161,913	231,415
Deferred revenues (Note 2)	16,400	143,303
Current portion of non-qualified retirement plan (Note 9)	39,700	39,200
Client deposits and other liabilities	<u>94,794</u>	<u>108,884</u>
TOTAL CURRENT LIABILITIES	<u>1,427,654</u>	<u>1,447,228</u>
NON-QUALIFIED RETIREMENT PLAN, less current portion (Note 9)	<u>290,300</u>	<u>280,600</u>
NET ASSETS (Notes 2 & 7)		
Unrestricted	558,004	953,564
Temporarily restricted	<u>124,963</u>	<u>85,790</u>
TOTAL NET ASSETS	<u>682,967</u>	<u>1,039,354</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,400,921</u></u>	<u><u>\$ 2,767,182</u></u>

Newton Community Service Centers, Inc.

Statements of Activities and Changes in Net Assets

Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support:			
Contributions	\$ 199,939	\$ 61,150	\$ 261,089
United Way	109,646	-	109,646
Grants and donations	26,908	162,952	189,860
	<u>336,493</u>	<u>224,102</u>	<u>560,595</u>
Program Service Revenue:			
Contracts	1,030,959	-	1,030,959
Tuition and fees	2,132,780	-	2,132,780
Rental and other income	33,158	-	33,158
	<u>3,196,897</u>	<u>-</u>	<u>3,196,897</u>
Investment and interest income, net (Note 4)	<u>3,710</u>	<u>-</u>	<u>3,710</u>
Net assets released from restrictions (Note 7)	<u>184,929</u>	<u>(184,929)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>3,722,029</u>	<u>39,173</u>	<u>3,761,202</u>
EXPENSES			
Program services:			
Child and family services	2,582,559	-	2,582,559
Youth programs	252,110	-	252,110
Community programs	203,663	-	203,663
	<u>3,038,332</u>	<u>-</u>	<u>3,038,332</u>
General and administrative	901,393	-	901,393
Fundraising and development	177,864	-	177,864
	<u>4,117,589</u>	<u>-</u>	<u>4,117,589</u>
CHANGE IN NET ASSETS	<u>(395,560)</u>	<u>39,173</u>	<u>(356,387)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>953,564</u>	<u>85,790</u>	<u>1,039,354</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 558,004</u></u>	<u><u>\$ 124,963</u></u>	<u><u>\$ 682,967</u></u>

Newton Community Service Centers, Inc.

Statements of Activities and Changes in Net Assets

Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily 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)	96,444		96,444
Net assets released from restrictions (Note 7)	247,660	(247,660)	-
	<u>4,051,122</u>	<u>46,038</u>	<u>4,097,160</u>
TOTAL SUPPORT AND REVENUE			
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>
TOTAL EXPENSES	<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.

Statement of Functional Expenses

For the Year Ended June 30, 2012

	Program Services				Support Services		Total Expenses
	Child and Family Services	Youth Programs	Community Programs	Total Program Services	General & Admin.	Fundraising & Development	
EXPENSES							
Salaries and wages	\$ 1,646,134	\$ 101,596	\$ 110,255	\$ 1,857,985	\$ 432,796	\$ 116,684	\$ 2,407,465
Payroll taxes	119,264	9,853	14,027	143,144	75,231	9,510	227,885
Fringe benefits	113,008	4,077	2,834	119,919	47,592	623	168,134
Staff training	4,025	-	40	4,065	1,129	958	6,152
Independent contractors	112,683	3,312	45,700	161,695	93,753	-	255,448
Professional fees and temporary help	9,626	1,048	-	10,674	4,136	-	14,810
Occupancy and facility cost	125,546	29,852	11,062	166,460	28,983	4,009	199,452
Rent	34,438	29,069	-	63,507	-	-	63,507
Insurance	27,449	8,240	3,628	39,317	7,535	600	47,452
Office supplies	7,651	814	3,053	11,518	15,960	2,428	29,906
Program expense	187,021	8,616	3,097	198,734	4,408	1,285	204,427
Telephone	13,942	1,485	1,835	17,262	3,289	1,282	21,833
Computer expense	67	-	700	767	3,181	3,782	7,730
Transportation	124,341	1,062	333	125,736	220	89	126,045
Interest expense	-	-	-	-	77,866	-	77,866
Bank & other fees	163	25	-	188	59,559	90	59,837
Recruiting	751	-	-	751	-	-	751
Fundraising	-	-	-	-	-	35,668	35,668
Audit and accounting	-	2,228	5,386	7,614	26,636	-	34,250
Other expenses	5,260	68	91	5,419	2,580	-	7,999
Depreciation	51,190	50,765	1,622	103,577	16,539	856	120,972
	<u>\$ 2,582,559</u>	<u>\$ 252,110</u>	<u>\$ 203,663</u>	<u>\$ 3,038,332</u>	<u>\$ 901,393</u>	<u>\$ 177,864</u>	<u>\$ 4,117,589</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.

Statements of Cash Flows

Years Ended June 30

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (356,387)	\$ (517,377)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	120,972	125,905
Realized gains on investments	-	(95,379)
Loss on disposal of leasehold improvements	2,692	-
Allowance for doubtful accounts	-	3,000
Changes in operating assets and liabilities:		
Accounts receivable	756	233,071
Contributions receivable	33,556	(72,927)
Prepaid expenses	47,195	(46,598)
Accounts payable	(13,752)	(16,703)
Accrued expenses and other liabilities	(73,392)	60,160
Deferred revenue	(126,903)	(12,776)
NET CASH USED IN OPERATING ACTIVITIES	<u>(365,263)</u>	<u>(339,624)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	760,582
Purchase of investments	-	(132,120)
Purchase of property and equipment	-	(49,897)
NET CASH PROVIDED FROM INVESTING ACTIVITIES	<u>-</u>	<u>578,565</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank line of credit, net	<u>204,173</u>	<u>429,732</u>
RESULTING IN A NET (DECREASE) INCREASE IN CASH	<u>(161,090)</u>	<u>668,673</u>
CASH AT BEGINNING OF YEAR	<u>708,643</u>	<u>39,970</u>
CASH AT END OF YEAR	<u>\$ 547,553</u>	<u>\$ 708,643</u>
 <u>Supplemental Disclosure of Cash Flow Information</u>		
Cash paid for interest	<u>\$ 77,866</u>	<u>\$ 48,201</u>

Newton Community Service Centers, Inc.

Notes to Financial Statements

June 30, 2012

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.

The Center’s Forms 990, Return of Organization Exempt from Income Tax, for the years ended 2009, 2010 and 2011 are subject to examination by the IRS, generally for three years after they were filed.

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. The Center’s children’s programs also included after-school programs that provided activities for children in kindergarten through sixth grade. Effective July, 2012, the Center will no longer provide the after-school programs.

Family Child Care - Home-based child care system, enriched by the Center’s 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. Beginning with the summer camp season of July and August 2012, the Center will no longer provide the summer camp program.

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.

Note 2 - Significant Accounting Policies (Cont.)

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. During fiscal 2012, the Student Central program was moved to the Center's principal facility located at 492 Waltham Street. The program had been housed at the Center's second facility at 429 Cherry Street. The program move was necessitated by the Center's plan to make the Cherry Street location available for sale (see Note 5).

Safe Schools/Healthy Students (SS/HS) Program – The 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 helped reduce the risk factors that come between children of all ages and their ability to learn and to stay safe and healthy. Effective January 31, 2012, the program's operating responsibility was assumed by the West Suburban YMCA.

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.

Note 2 - Significant Accounting Policies (Cont.)

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.

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 (see Note 4).

Deferred Revenues – At June 30, 2012, the Center’s deferred revenues represent “good faith” deposits received by the Center to be applied against the eventual sale of the Cherry Street building (see Note 5).

Deferred revenues at June 30, 2011 consisted of summer camp tuition and fee deposits for the forthcoming fiscal year. There were no summer camp tuition and fee deposits at June 30, 2012, as the program was discontinued (see Note 1).

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, Tufts Health Plan 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.

Note 2 - Significant Accounting Policies (Cont.)

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, 2012 up through December 18, 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>2012</u>	<u>2011</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 42,704	\$ 45,500
One year to two years	-	30,760
	<u>42,704</u>	<u>76,260</u>
Less allowance for uncollectible contributions receivable	<u>3,000</u>	<u>3,000</u>
	<u>\$ 39,704</u>	<u>\$ 73,260</u>

Contributions receivable of approximately \$9,000 and \$34,000 at June 30, 2012 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 (\$20,000 and \$46,000, respectively for the same programs at June 30, 2011).

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.

Note 5 - Property and Equipment

	<u>2012</u>	<u>2011</u>
Land	\$ 9,409	\$ 9,409
Buildings and improvements	1,695,966	3,092,821
Playground equipment	88,952	88,952
Office and program equipment	190,956	190,956
Motor vehicles	28,949	28,949
	<u>2,014,232</u>	<u>3,411,087</u>
Less: Accumulated depreciation	<u>1,421,342</u>	<u>1,605,778</u>
	<u>592,890</u>	<u>1,805,309</u>
Land and building held for sale, Cherry Street (see below)	1,391,773	-
Less: Accumulated depreciation	303,018	-
	<u>1,088,755</u>	<u>-</u>
	<u>\$ 1,681,645</u>	<u>\$ 1,805,309</u>

Depreciation expense was \$120,972 and \$125,905 for the years ended June 30, 2012 and 2011, respectively.

Note 5 - Property and Equipment (Cont.)

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, which was subsequently amended on April 5, 2012. The amended agreement reduced the sale price to \$1,020,000. The sale is contingent upon the buyer obtaining permits and zoning variances and the agreement to purchase expires on January 14, 2013 if a closing does not take place, unless extended by both parties.

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, it will pay down the outstanding balance on the line of credit (see Note 6).

The Cherry Street property is currently being used for meeting and administrative purposes. The Center has no plans to replace the property once sold.

For financial statement purposes, the Center would record a loss on the sale of approximately \$120,000. If the sale had been consummated at June 30, 2012 under these terms, it would have generated approximately \$41,000 of cash after repaying the bank line of credit in full.

Note 6 – Bank Line of Credit

On September 15, 2011, the Center refinanced its existing 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 is payable monthly at the Wall Street Journal's prime rate, floating daily with a floor of 4.25% and the agreement 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 outstanding line balance will be paid in full and the credit line's maximum borrowings will then be reduced to \$500,000.

Prior to September 15, 2011, the revolving line of credit agreement with The Village Bank was for \$750,000 with interest charged on borrowings payable monthly at the Wall Street Journal's prime floating rate not to be less than 4.25%. This agreement was solely collateralized by property located at 492 Waltham Street, Newton, Massachusetts.

The outstanding balances under the current and previous agreements at June 30, 2012 and 2011, respectively, were \$927,905 and \$723,732.

Note 7 – Temporarily Restricted Net Assets

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

	<u>2012</u>	<u>2011</u>
Child and family services	\$ 64,308	\$ 27,819
Community and youth programs	22,000	2,000
General mission - time restricted	29,139	46,455
Capital expenditure fund	9,516	9,516
	<u>\$ 124,963</u>	<u>\$ 85,790</u>

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

	<u>2012</u>	<u>2011</u>
Program restrictions	<u>\$ 184,929</u>	<u>\$ 247,660</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. Beginning with the Center's January 14, 2012 pay date, the plan's discretionary matching contribution was discontinued. Effective October 1, 2011, the Center amended the plan's eligibility requirements. The amended agreement allows employees who are eighteen years of age and are expected to work one thousand hours per year to make deferred contributions from the date of hire. Such employees are also eligible to receive Center matching contribution upon the completion of one year of service from date of hire.

Prior to October 1, 2011, employees who had attained the age of 21, had one thousand hours of service and had completed one year of employment were eligible to participate in the plan. For the years ended June 30, 2012 and 2011, the Centers' contributions to the plan amounted to \$6,555 and \$13,428, 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, 2012 and 2011, the outstanding obligation under the former executive director's nonqualified retirement plan agreement approximated \$330,000 and \$320,000, respectively.

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, 2012, 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 \$7,900 and \$7,400, respectively, for the years ended June 30, 2012 and 2011.

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, 2012 was 4.75%.

During both years ended June 30, 2012 and 2011, the Center disbursed approximately \$39,700 to the former executive director in accrued non-qualified retirement benefits. Changes in actuarially determined assumptions resulted in a charge to operations of approximately \$50,000 and \$55,000 for the years ended June 30, 2012 and 2011, respectively.

Note 9 - Retirement Agreement (Cont.)

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>
2013	\$ 31,800	\$ 7,900	\$ 39,700
2014	30,500	7,800	38,300
2015	29,100	7,700	36,800
2016	27,500	7,600	35,100
2017	25,800	7,400	33,200
Future years	114,300	32,600	146,900
	<u>\$ 259,000</u>	<u>\$ 71,000</u>	<u>\$ 330,000</u>

Both plans are unfunded as of June 30, 2012 and 2011.

Note 10 - Lease Commitments

Agreements as Lessor of Facilities - The Center makes available for lease 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 was also 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 was instated as this property was put on the market for sale during September 2010. The tenant occupied the space through September 2011 with monthly rent payments of \$578.

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 two locations was \$8,405 and \$36,821 for the years ended June 30, 2012 and 2011, respectively.

The future minimum lease receipts are as follows:

<u>Year Ending June 30</u>	
2013	\$ 6,000
2014	6,000
2015	6,000
2016	500
	<u>\$ 18,500</u>

Note 10 - Lease Commitments (Cont.)

Agreement as Lessee of Facility – During fiscal 2010, 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”, provided space for the Center’s former Safe School/Healthy Student program. The lease agreement required a fixed monthly payment of \$4,125 and the Center had the option to terminate the agreement if funding for Safe Schools/Healthy Students program was insufficient to meet the lease obligation. During January 2012, the Safe School/Healthy Student program location and operating responsibility was transferred to the West Suburban YMCA. In conjunction with the program transfer, the Center exercised its option to terminate the lease agreement at Chestnut Street effective January 31, 2012.

Rent expense for the Chestnut Street facility was \$28,875 and \$49,500 for the years ended June 30, 2012 and 2011, respectively.

Note 11 - Other Commitments and Contingencies

Unemployment Compensation Insurance – Effective January 1, 2012, the Center elected to pay the contributory payroll tax to the Commonwealth of Massachusetts Department of Workforce Development. Prior to January 1, 2012, the Center had elected to finance the benefit cost of unemployment compensation insurance by reimbursing the Commonwealth for unemployment compensation paid.

Under the prior arrangement, approximately \$15,500 and \$21,000 was paid to the Commonwealth for benefits incurred during the years ended June 30, 2012 and 2011, 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, 2012 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, 2012, approximately \$350,000 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.

The Center received approximately \$687,000 or 19% of its total support and revenue from the Commonwealth of Massachusetts during the year ended June 30, 2012 (\$853,000 or 21% in 2011). Approximately \$44,000 (39%) of accounts receivable balances at June 30, 2012 were from departments and agencies of the Commonwealth of Massachusetts, the City of Newton, and the federal government (\$99,000 or 87% at June 30, 2011).

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.

Note 13 - Surplus Revenue Retention Regulations (Cont.)

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, 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
Change in Net Assets	(171,112)	(224,448)	(395,560)
Balance at June 30, 2012	\$ 5,307,116	\$ (4,749,112)	\$ 558,004

Note 14 – Insufficient Liquid Assets

The accompanying statement of financial position at June 30, 2012 reflects current liabilities that are approximately double the amount of current assets, exceeding current assets by approximately \$708,000. In addition, net assets of approximately \$683,000 include approximately \$1.681 million of non-liquid assets, property and equipment. The Center also reported decreases in net assets of approximately \$356,000 and \$517,000 for the years ended June 30, 2012 and 2011, respectively.

These conditions indicate an inability to settle liabilities and obligations in the ordinary course of operations without the continued financial support of donors, bank financing and an ability to generate sufficient revenues and support to meet the Center's expenses and create an excess sufficient to allow the Center to eventually pay its existing liabilities in the ordinary course of operations.

In view of this situation, the Center has entered into a purchase and sale agreement for the sale of its Cherry Street building (Note 5). Management projects the Cherry Street sale, if consummated, to realize net proceeds of approximately \$970,000, sufficient to pay-off the balance of its existing line of credit of approximately \$900,000. Upon sale of the property and payment of the line of credit (Note 6), the Center's bank has committed to renew the line of credit up to \$500,000. Management feels that the sale of this property would alleviate the Center's liquidity problem. However, the buyer's agreement to purchase is subject to obtaining development permits and zoning variances, and the agreement expires on January 14, 2013 if a sale does not occur, unless extended by both parties.

During 2012, in an effort to concentrate on its core services of educational child care and eliminate financially non-performing programs, management terminated the Center's teen and youth programs by transferring operating and service delivery responsibility to two other local non-profit organizations located in the City of Newton. And, effective July 1, 2012, the Center also terminated its summer camp program held at the Hale reservation. Management continues to closely monitor and curtail costs where feasible, and expand its marketing and outreach efforts to increase enrollment in its child care programs. Management is also looking to develop additional fee generating programs, increase fundraising efforts and to strategically solicit major donors and event sponsors. It is management's opinion that its efforts will eventually improve the Center's operations and generate sufficient revenues and support to cover its expenses.

At the present time, there can be no certainty that the property sale will occur as proposed or that management's operating plans can be attained.

G.T. Reilly & Company
ReillyTech
Reilly Benefits
Reilly Business Services

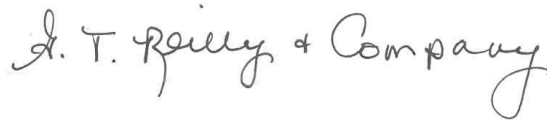
424 Adams Street
Milton, MA 02186-4358
617 696-8900
617 698-1803 fax
www.gtreilly.com

INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

Board of Directors
Newton Community Service Centers, Inc.

Our report on the basic financial statements of Newton Community Service Centers, Inc. appears on Page 1.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Newton Community Service Centers, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2012 is presented for purposes of additional analysis in accordance with the requirements of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



G. T. Reilly & Company

Milton, Massachusetts
December 18, 2012

Newton Community Service Centers, Inc.

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2012

Federal agency Pass-through grantor Program Title	Federal CFDA No.	Agency or Pass-through Number	Federal Disbursements/ Expenditures
<u>United States Dept. of Agriculture</u>			
Passed through Commonwealth of Massachusetts			
Department of Education			
Food and Consumer Service:			
Child & Adult Care Food Program	10.558	CT DOE SC DOE 12758 N7 0532 117A	\$ 13,295
		CT DOE SC DOE 12758 N7 0532 117A	22,971
		CT DOE SC DOE 12758 R7 0532 117A	1,520
		CT DOE SC DOE 12758 R7 0532 117A	2,231
		CT DOE SC DOE 12758 T7 0532 117A	18,274
		CT DOE SC DOE 12758 W7 0532 117A	1,657
Total United States Dept. of Agriculture			<u>59,948</u>
<u>United States Dept. of Health & Human Services</u>			
<u>Cluster</u>			
Passed through Commonwealth of Massachusetts			
Dept. of Early Education and Care	93.575	CT EEC 2012 FLEX POOL INCOM EEL	2,829
Child Care & Development Block Grant		CT EEC 2012 FLEX POOL INCOM EEL	5,540
		CT EEC 400010 NEWTON COMM 181E	14,616
		CT EEC 400010 NEWTON COMM 181E	36,206
		CT EEC 4100 NEWTON COMM PPSP	13,298
		CT EEC 4100 NEWTON COMM PPSP	30,051
		CT EEC 4200 NEWTON COMM PPTN	4,325
			<u>106,865</u>
Passed through Commonwealth of Massachusetts			
Dept. of Early Education and Care	93.596	CT EEC 2012 FLEX POOL INCOM EEL	1,283
Child Care Mandatory & Matching Funds of the Child Care and Development Fund		CT EEC 2012 FLEX POOL INCOM EEL	2,513
		CT EEC 400010 NEWTON COMM 181E	6,629
		CT EEC 400010 NEWTON COMM 181E	16,421
		CT EEC 4100 NEWTON COMM PPSP	21,116
		CT EEC 4100 NEWTON COMM PPSP	47,718
		CT EEC 4200 NEWTON COMM PPTN	1,962
			<u>97,642</u>
Passed through Commonwealth of Massachusetts			
Dept. of Early Education & Care	93.558	CT EEC 2012 FLEX POOL INCOM EEL	6,353
Educational Child Care		CT EEC 2012 FLEX POOL INCOM EEL	12,442
Temporary Assistance for Needy Families		CT EEC 400010 NEWTON COMM 181E	32,826
		CT EEC 400010 NEWTON COMM 181E	81,314
		CT EEC 4200 NEWTON COMM PPTN	9,714
Total United States Dept. of Health & Human Services			<u>142,649</u>
			<u>407,104</u>

Newton Community Service Centers, Inc.

Schedule of Expenditures of Federal Awards (Cont.)

Year Ended June 30, 2012

<u>Program Title</u>	<u>CFDA No.</u>	<u>Agency or Pass-through Number</u>	<u>Expenditures</u>
<u>United States Corporation for National & Community</u> Retired and Senior Volunteer Program	94.002	10SRAMA004	<u>104,788</u>
<u>United States Dept. of Housing & Urban Development</u>			
Passed through City of Newton:			
Community Development Block Grant/ Entitlement Grants	14.218	CD1205S,T,U,V,W,X	60,275
Passed through City of Waltham:			
Community Development Block Grant/ Entitlement Grants	14.218	290 175 2011 8024	<u>3,363</u>
Total United States Dept. of Housing & Urban Development			<u>63,638</u>
<u>United States Department of Education</u>			
Passed through City of Newton Public Schools			
Safe and Drug-Free Schools and Communities - National Programs	84.184	290.175.2010.8021 NPSG 11-23	<u>144,976</u>
Total Expenditures of Federal Awards			<u>\$ 720,506</u>
Total Expenditures of Federal Awards by CFDA #:			
	10.558		\$ 59,948
	14.218		63,638
	84.184		144,976
	93.558		142,649
	93.575		106,865
	93.596		97,642
	94.002		<u>104,788</u>
			<u>\$ 720,506</u>

Newton Community Service Centers, Inc.

Note to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Note – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Newton Community Service Centers, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations".

G.T. Reilly & Company

ReillyTech

Reilly Benefits

Reilly Business Services

424 Adams Street
Milton, MA 02186-4358
617 696-8900
617 698-1803 fax
www.gtreilly.com

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

Board of Directors
Newton Community Service Centers, Inc.

We have audited the financial statements of Newton Community Service Centers, Inc. as of and for the year ended June 30, 2012, and have issued our report thereon dated December 18, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Newton Community Service Centers, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Newton Community Service Centers, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Newton Community Service Centers, Inc.'s internal control over financial reporting.

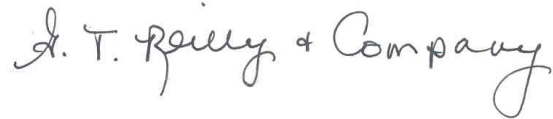
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Newton Community Service Center, Inc.'s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors and management of Newton Community Service Centers, Inc., and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "G. T. Reilly & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

G. T. Reilly & Company
Milton, Massachusetts
December 18, 2012

G.T. Reilly & Company
ReillyTech
Reilly Benefits
Reilly Business Services

424 Adams Street
Milton, MA 02186-4358
617 696-8900
617 698-1803 fax
www.gtreilly.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Newton Community Service Centers, Inc.

Compliance

We have audited the compliance of Newton Community Service Centers, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. Newton Community Service Centers, Inc.'s major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Newton Community Service Centers, Inc.'s management. Our responsibility is to express an opinion on Newton Community Service Centers, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about Newton Community Service Centers, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Newton Community Service Centers, Inc.'s compliance with those requirements.

In our opinion, Newton Community Service Centers, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2012.

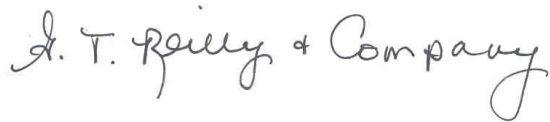
Internal Control Over Compliance

The management of Newton Community Service Centers, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Newton Community Service Centers, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Newton Community Service Centers, Inc.'s internal control over compliance.

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

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

This report is intended solely for the information and use of the Board of Directors and management of Newton Community Service Centers, Inc., and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "G. T. Reilly & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

G. T. Reilly & Company

Milton, Massachusetts
December 18, 2012

Newton Community Service Centers, Inc.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2012

A. Summary of Auditors' Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Newton Community Service Centers, Inc.
2. No significant deficiencies relating to the audit of the financial statements were reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. There were no instances of noncompliance material to the financial statements of Newton Community Service Centers, Inc. disclosed during the audit.
4. No significant deficiencies relating to the audit of major federal award programs were reported in the Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for major federal award programs for Newton Community Service Centers, Inc. expresses an unqualified opinion.
6. The audit did not disclose any audit findings relating to major federal award programs for Newton Community Service Centers, Inc. that are required to be reported.
7. The programs tested as major programs include:

93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds
93.558	Temporary Assistance for Needy Families
94.002	Retired and Senior Volunteer Program
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Newton Community Service Centers, Inc. was not determined to be a low-risk auditee.

B. Findings – Financial Statement Audit

None

C. Findings - Major Federal Award Programs Audit

None

Newton Community Service Centers, Inc.

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2012

Findings – 2011 Financial Statement Audit

None

Findings – 2011 Major Federal Awards Program Audit

None