



**NEWTON COMMUNITY SERVICE CENTERS, INC.**

**FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NEWTON COMMUNITY SERVICE CENTERS, INC. D/B/A FAMILY ACCESS OF NEWTON**

Contents  
June 30, 2021 and 2020

---

	<u>Pages</u>
<b>Independent Auditor’s Report</b> .....	1
<b>Financial Statements:</b>	
Statements of Financial Position .....	2
Statements of Activities and Changes in Net Assets .....	3
Statements of Cash Flows .....	4
Statements of Functional Expenses .....	5
Notes to Financial Statements .....	6 - 13



50 Washington Street  
Westborough, MA 01581  
508.366.9100  
aafcpcpa.com

## Independent Auditor's Report

To the Board of Directors and Management of  
Newton Community Service Centers, Inc. d/b/a Family ACCESS of Newton:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Newton Community Service Centers, Inc. d/b/a Family ACCESS of Newton (a Massachusetts corporation, not for profit) which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***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. d/b/a Family ACCESS of Newton as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*AAFCPAs, Inc.*

Boston, Massachusetts  
December 7, 2021

**NEWTON COMMUNITY SERVICE CENTERS, INC. D/B/A FAMILY ACCESS OF NEWTON**

Statements of Financial Position  
June 30, 2021 and 2020

<b>Assets</b>	<b>2021</b>	<b>2020</b>
Current Assets:		
Cash	\$ 489,483	\$ 921,553
Accounts receivable, net	588,493	79,752
Current portion of pledges receivable	15,300	29,000
Prepaid expenses	32,773	30,173
Total current assets	1,126,049	1,060,478
Pledges Receivable, net	20,980	64,971
Property and Equipment, net	1,033,237	1,062,639
Total assets	\$ 2,180,266	\$ 2,188,088
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Current portion of notes payable	\$ 12,028	\$ 11,408
Accounts payable and accrued expenses	223,384	194,211
Client deposits	251,511	278,697
Total current liabilities	486,923	484,316
Notes Payable, net of current portion	861,022	1,075,318
Total liabilities	1,347,945	1,559,634
Net Assets:		
Without donor restrictions:		
Operating	(4)	(306,501)
Property and equipment	754,105	772,545
Total without donor restrictions	754,101	466,044
With donor restrictions	78,220	162,410
Total net assets	832,321	628,454
Total liabilities and net assets	\$ 2,180,266	\$ 2,188,088

**NEWTON COMMUNITY SERVICE CENTERS, INC. D/B/A FAMILY ACCESS OF NEWTON**

Statements of Activities and Changes in Net Assets  
For the Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue and Support:</b>						
Program service revenue:						
Tuition and fees	\$ 1,280,817	\$ -	\$ 1,280,817	\$ 2,175,354	\$ -	\$ 2,175,354
Contracts	648,430	-	648,430	610,412	-	610,412
Rental and other income	5,043	-	5,043	52,924	-	52,924
Total program service revenue	<u>1,934,290</u>	<u>-</u>	<u>1,934,290</u>	<u>2,838,690</u>	<u>-</u>	<u>2,838,690</u>
Support:						
Contributions	759,129	83,187	842,316	140,922	196,115	337,037
Grants	194,511	15,000	209,511	191,920	60,000	251,920
Net assets released from time restrictions	167,377	(167,377)	-	189,113	(189,113)	-
Net assets released from program restrictions	15,000	(15,000)	-	60,000	(60,000)	-
Total support	<u>1,136,017</u>	<u>(84,190)</u>	<u>1,051,827</u>	<u>581,955</u>	<u>7,002</u>	<u>588,957</u>
Total operating revenue and support	<u>3,070,307</u>	<u>(84,190)</u>	<u>2,986,117</u>	<u>3,420,645</u>	<u>7,002</u>	<u>3,427,647</u>
<b>Operating Expenses:</b>						
Child and family services	2,847,619	-	2,847,619	3,012,440	-	3,012,440
General and administrative	483,918	-	483,918	514,379	-	514,379
Fundraising and development	247,345	-	247,345	236,739	-	236,739
Total operating expenses	<u>3,578,882</u>	<u>-</u>	<u>3,578,882</u>	<u>3,763,558</u>	<u>-</u>	<u>3,763,558</u>
Changes in net assets from operations	(508,575)	(84,190)	(592,765)	(342,913)	7,002	(335,911)
<b>Other Revenue:</b>						
Forgiveness of debt	796,632	-	796,632	-	-	-
Changes in net assets	288,057	(84,190)	203,867	(342,913)	7,002	(335,911)
<b>Net Assets:</b>						
Beginning of year	<u>466,044</u>	<u>162,410</u>	<u>628,454</u>	<u>808,957</u>	<u>155,408</u>	<u>964,365</u>
End of year	<u>\$ 754,101</u>	<u>\$ 78,220</u>	<u>\$ 832,321</u>	<u>\$ 466,044</u>	<u>\$ 162,410</u>	<u>\$ 628,454</u>

The accompanying notes are an integral part of these statements.

**NEWTON COMMUNITY SERVICE CENTERS, INC. D/B/A FAMILY ACCESS OF NEWTON**

Statements of Cash Flows  
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 203,867	\$ (335,911)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Forgiveness of debt	(796,632)	-
Depreciation	97,887	94,810
Change in discount on pledges receivable	(3,579)	7,032
Changes in operating assets and liabilities:		
Accounts receivable	(508,741)	(31,364)
Pledges receivable	61,270	(20,671)
Prepaid expenses	(2,600)	(2,590)
Accounts payable and accrued expenses	29,173	6,536
Client deposits	(27,186)	(28,963)
	<u>(946,541)</u>	<u>(311,121)</u>
Net cash used in operating activities		
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	<u>(68,485)</u>	<u>(56,811)</u>
<b>Cash Flows from Financing Activities:</b>		
Principal payments on notes payable	(10,962)	(82,394)
Proceeds from notes payable	<u>593,918</u>	<u>796,632</u>
	<u>582,956</u>	<u>714,238</u>
Net cash provided by financing activities		
<b>Net Change in Cash</b>	(432,070)	346,306
<b>Cash:</b>		
Beginning of year	<u>921,553</u>	<u>575,247</u>
End of year	<u>\$ 489,483</u>	<u>\$ 921,553</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	<u>\$ 12,532</u>	<u>\$ 20,608</u>

**NEWTON COMMUNITY SERVICE CENTERS, INC. D/B/A FAMILY ACCESS OF NEWTON**

Statements of Functional Expenses  
For the Years Ended June 30, 2021 and 2020

	2021				2020			
	Program	Supporting Services			Program	Supporting Services		
	Child and Family Services	General and Administrative	Fundraising and Development	Total	Child and Family Services	General and Administrative	Fundraising and Development	Total
<b>Personnel and Related:</b>								
Salaries and wages	\$ 1,871,070	\$ 275,989	\$ 163,786	\$ 2,310,845	\$ 2,044,104	\$ 317,408	\$ 178,589	\$ 2,540,101
Fringe benefits	149,648	38,874	22,315	210,837	196,162	61,167	18,442	275,771
Payroll taxes	167,803	23,514	12,203	203,520	185,775	22,848	11,152	219,775
Total personnel and related	<u>2,188,521</u>	<u>338,377</u>	<u>198,304</u>	<u>2,725,202</u>	<u>2,426,041</u>	<u>401,423</u>	<u>208,183</u>	<u>3,035,647</u>
<b>Occupancy:</b>								
Occupancy and facility cost	128,677	17,791	2,425	148,893	124,525	15,288	1,446	141,259
Depreciation	84,557	11,739	1,591	97,887	81,923	11,345	1,542	94,810
Insurance	37,988	6,302	701	44,991	35,376	5,915	651	41,942
Interest	8,456	3,866	160	12,482	18,126	2,225	211	20,562
Total occupancy	<u>259,678</u>	<u>39,698</u>	<u>4,877</u>	<u>304,253</u>	<u>259,950</u>	<u>34,773</u>	<u>3,850</u>	<u>298,573</u>
<b>Other:</b>								
Independent contractors	196,898	249	28,926	226,073	143,391	565	6,726	150,682
Bank and other fees	56,723	4,474	680	61,877	79,915	4,336	837	85,088
Professional fees and temporary help	3,477	55,468	-	58,945	5,678	53,002	-	58,680
Program	56,159	-	-	56,159	31,700	-	-	31,700
Recruiting	37,214	15,916	-	53,130	8,441	1,397	-	9,838
Office supplies	15,533	17,597	896	34,026	16,400	8,648	847	25,895
Technology	5,652	10,795	3,852	20,299	3,738	8,470	3,698	15,906
Marketing	6,415	-	9,167	15,582	4,075	-	11,723	15,798
Telephone	13,436	1,122	643	15,201	16,340	1,335	850	18,525
Staff training	5,560	219	-	5,779	8,285	-	-	8,285
Transportation	2,353	3	-	2,356	8,486	430	25	8,941
Total other	<u>399,420</u>	<u>105,843</u>	<u>44,164</u>	<u>549,427</u>	<u>326,449</u>	<u>78,183</u>	<u>24,706</u>	<u>429,338</u>
Total expenses	<u>\$ 2,847,619</u>	<u>\$ 483,918</u>	<u>\$ 247,345</u>	<u>\$ 3,578,882</u>	<u>\$ 3,012,440</u>	<u>\$ 514,379</u>	<u>\$ 236,739</u>	<u>\$ 3,763,558</u>

The accompanying notes are an integral part of these statements.

## **NEWTON COMMUNITY SERVICE CENTERS, INC. D/B/A FAMILY ACCESS OF NEWTON**

Notes to Financial Statements  
June 30, 2021 and 2020

---

### **1. OPERATIONS AND NONPROFIT STATUS**

Newton Community Service Centers, Inc. d/b/a Family ACCESS of Newton (the Center) is a private, nonprofit, multi-service organization 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. The Center serves a racially, ethnically, and culturally diverse population regardless of economic circumstances from Newton, Waltham, and surrounding communities in Massachusetts.

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 (IRC). The Center is also exempt from state income taxes. Donors may deduct contributions made to the Center within the requirements of the IRC.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Center prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

#### **Estimates**

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

#### **Cash**

For the purpose of the statements of cash flows, management considers cash to be any amounts held in checking and savings accounts. Cash includes client deposits.

#### **Pledges Receivable**

Pledges receivable are recorded as unconditionally committed. Long-term pledges receivable at June 30, 2021 and 2020, have been discounted to present value using a discount rate of 4% and 3%, respectively (see Note 4).

#### **Allowance for Doubtful Pledges Receivable**

An allowance for doubtful pledges receivable is recorded based on management's analysis of specific accounts and their estimate of amounts that may be uncollectible, if any. Amounts are written off against the allowance when they are determined to be uncollectible.

#### **Accounts Receivable and Allowance for Doubtful Accounts**

Included in accounts receivable are amounts for tuition and contract services which were not received by the Center prior to fiscal year-end. Also included in accounts receivable is an amount related to the Employee Retention Tax Credit (see Note 11). The allowance for doubtful accounts is recorded based on the collection history and management's communications with the payers that may be uncollectible, if any. The allowance for doubtful accounts was \$2,000 as of June 30, 2021 and 2020.

## NEWTON COMMUNITY SERVICE CENTERS, INC. D/B/A FAMILY ACCESS OF NEWTON

Notes to Financial Statements  
June 30, 2021 and 2020

---

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair value at the time of donation. Renewals and betterments with an aggregate cost of \$1,000 or more are capitalized, while repairs and maintenance are expensed as they are incurred.

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

Land improvements	10 - 35 years
Building and improvements	10 - 40 years
Software and equipment	3 - 7 years

Land is not depreciated.

#### Client Deposits

Client deposits consist of nonrefundable tuition payments that are recognized as income at the conclusion of the school year or applied towards a subsequent enrollment period. Client deposits are included in cash in the accompanying statements of financial position.

#### Net Assets

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Center. The Center has grouped its net assets without donor restrictions into the following categories:

**Operating net assets** represent net assets which are available for operations and bear no external restrictions.

**Property and equipment net assets** reflect the net book value of the Center's property and equipment, net of related debt.

Net assets with donor restrictions consist of donations subject to the passage of time as of June 30, 2021 and 2020.

#### Revenue Recognition

In accordance with ASC Topic 958, the Center must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. ASC Topic 958 prescribes that the Center should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. The Center did not have any conditional awards as of June 30, 2021.

## NEWTON COMMUNITY SERVICE CENTERS, INC. D/B/A FAMILY ACCESS OF NEWTON

Notes to Financial Statements  
June 30, 2021 and 2020

---

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition (Continued)

Grants and contributions from government agencies (contract revenue), foundations, individuals, and corporations are recorded in accordance with ASC Topic 958 as revenue and net assets without donor restrictions upon receipt or when unconditionally committed by the donor. Donor restricted grants and contributions that are donations with time or purpose restrictions are recognized as revenue and net assets with donor restrictions when received or when unconditionally committed by the donor. Transfers are made to net assets without donor restrictions as costs are incurred or time restrictions have lapsed.

Tuition and fees are recognized as services are provided. The performance obligations of delivering daycare services are simultaneously received and consumed by the recipients; therefore, the revenue is recognized as daycare services are provided. Tuition and fees are recognized in accordance with ASC Topic 606. Tuition and fees received in advance of services to be provided are recorded as client deposits.

Rental income is recognized over the lease term. All other revenues are recorded when they are earned.

#### Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and support and operating expenses in the accompanying statements of activities and changes in net assets. Non-operating revenue consists of forgiveness of debt in fiscal year 2021 (see Note 6).

#### Donated Services

The Center receives services of volunteers in various aspects of its programs. The value of these services is not reflected in the accompanying financial statements, since the value assigned to these services by the volunteers is not ascertainable and does not meet the recognition criteria outlined in U.S. GAAP.

#### Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each program. Certain categories of expenses are attributable to more than one function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are personnel and related costs, which are allocated based on the basis of time and effort of each employee, and occupancy and depreciation, which are allocated based on square footage.

#### Fair Value Measurements

The Center follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Center would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

## NEWTON COMMUNITY SERVICE CENTERS, INC. D/B/A FAMILY ACCESS OF NEWTON

Notes to Financial Statements  
June 30, 2021 and 2020

---

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fair Value Measurements (Continued)

The Center uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Center. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

#### Income Taxes

The Center accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Center has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2021 and 2020. The Center's information and tax returns are subject to examination by the Federal and state jurisdictions.

#### Subsequent Events

Subsequent events have been evaluated through December 7, 2021, which is the date the financial statements were available to be issued. See Note 6 for an event that met the criteria for recognition or disclosure in the accompanying financial statements.

**NEWTON COMMUNITY SERVICE CENTERS, INC. D/B/A FAMILY ACCESS OF NEWTON**Notes to Financial Statements  
June 30, 2021 and 2020

---

**3. PROPERTY AND EQUIPMENT AND DEPRECIATION**

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land and land improvements	\$ 37,611	\$ 37,611
Building and improvements	2,514,287	2,480,103
Software and equipment	<u>613,861</u>	<u>579,560</u>
	3,165,759	3,097,274
Less - accumulated depreciation	<u>2,132,522</u>	<u>2,034,635</u>
Property and equipment, net	<u>\$ 1,033,237</u>	<u>\$ 1,062,639</u>

**4. PLEDGES RECEIVABLE**

Pledges receivable are due as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 15,300	\$ 29,000
One to five years	<u>27,600</u>	<u>75,170</u>
	42,900	104,170
Less - discount	3,620	7,199
Less - allowance	<u>3,000</u>	<u>3,000</u>
	36,280	93,971
Less - current portion	<u>15,300</u>	<u>29,000</u>
Long-term pledges receivable, net	<u>\$ 20,980</u>	<u>\$ 64,971</u>

**5. LINE OF CREDIT**

The Center had a \$500,000 revolving line of credit with a bank that was increased to \$1,000,000 in September 2020. Outstanding borrowings are payable on demand and interest is payable monthly at the *Wall Street Journal's* prime rate (3.25% at June 30, 2021 and 2020), floating daily, with a floor of 3.25%. The line of credit is collateralized by a first mortgage on the Center's property. The line of credit is renewable annually in October. There were no outstanding amounts due under this agreement as of June 30, 2021 and 2020.

**6. NOTES PAYABLE**

The Center has a note payable to a bank with an original principal balance of \$500,000 and a maturity date of May 8, 2039. The interest rate adjusted to 4.25% in September 2020, which represents the most recent available five-year Federal Home Loan Bank of Boston Regular Classic Advance Rate plus 2.75% and will adjust every five years thereafter. Principal and interest are due in monthly installments of \$2,933. During fiscal year 2020, the Center made an additional payment of \$71,000. The balance of this note was \$279,132 and \$290,094 as of June 30, 2021 and 2020, respectively. The note is collateralized by a second mortgage on the property and an assignment of leases and rents.

## NEWTON COMMUNITY SERVICE CENTERS, INC. D/B/A FAMILY ACCESS OF NEWTON

Notes to Financial Statements  
June 30, 2021 and 2020

---

### 6. NOTES PAYABLE (Continued)

The Center applied for and was awarded a forgivable loan of \$796,632 during fiscal year 2020 from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) through Cambridge Savings Bank. The funds were used to pay certain payroll costs, including benefits, as well as rent and utilities during the covered period as defined in the CARES Act. The Center submitted the application for forgiveness for this loan in April 2020. The Center received notice from the Small Business Administration (SBA) and the bank that the full loan balance was forgiven in November 2020. This amount is included as forgiveness of debt in the accompanying statement of activities and changes in net assets.

During fiscal year 2021, the Center applied for and was awarded an additional forgivable loan totaling \$593,918 from the second round of PPP which was established by the CARES Act. The funds were used to pay certain payroll costs, including benefits, as well as rent and utilities during the covered period as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. Any repayment will be deferred for a period of ten months from the end of the covered period, when the note, plus interest, will be due in equal monthly payments through the maturity date as defined by the bank. There are no covenants with which to comply and the note is not secured by any collateral as of June 30, 2021.

The Center submitted the application for full forgiveness for the second PPP loan in January 2021. In July 2021, the Center received formal approval from the SBA of the entire loan being forgiven. The loan balance is included in the non-current portion of notes payable in the accompanying 2021 statement of financial position.

There was no accrued interest on the note payables as of June 30, 2021 and 2020, as it would be immaterial to the overall financial statements.

Maturities of the notes payable for the next five years, not including the PPP loan, are as follows:

<u>Fiscal Year</u>	
2022	\$ 12,028
2023	\$ 12,687
2024	\$ 13,331
2025	\$ 14,306
2026	\$ 14,875

### 7. EMPLOYEE BENEFIT PLAN

The Center maintains a tax-deferred compensation plan (the Plan) under Section 403(b) of the IRC. The Plan allows employees who are eighteen years of age and are expected to work 1,000 hours per year to make a deferred contribution from the date of hire. The Plan also includes a discretionary matching contribution by the Center of 25% of employees' voluntary salary reductions up to a maximum of 6% of each eligible employee's compensation. The Center made no contributions to the Plan during the year ended June 30, 2021. The Center contributed \$811 to the Plan during the year ended June 30, 2020.

## NEWTON COMMUNITY SERVICE CENTERS, INC. D/B/A FAMILY ACCESS OF NEWTON

Notes to Financial Statements  
June 30, 2021 and 2020

---

### 8. CONCENTRATIONS

The Center maintains its cash balances in Massachusetts banks, which are insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, cash balances exceeded the insured amounts. The Center has not experienced any losses in such accounts. The Center believes it is not exposed to any significant credit risk on its cash balances.

Approximately 61% and 85% of the Center's pledges receivable were due from two donors at June 30, 2021 and 2020, respectively (see Note 4).

Approximately 93% of the Center's accounts receivable is due from the Employee Retention Tax Credit (ERTC) (see Note 11).

### 9. LEASE AGREEMENTS

#### Facility

The Center leased its gym, parking lot, and a portion of its office space to tenants under rental agreements that expired at various times through June 30, 2020, with monthly rental payments ranging from \$320 to \$2,000. Rental income was \$40,440 for the year ended June 30, 2020. There was no rental income for the year ended June 30, 2021.

#### Office Equipment

The Center leases office equipment under an operating lease agreement with monthly payments of \$550 due through March 2022. Rent expense under this agreement was approximately \$6,600 for the years ended June 30, 2021 and 2020, and is included in occupancy and facility cost in the accompanying statements of functional expenses.

Future minimum lease payments under this agreement are \$4,950 for fiscal year 2022.

### 10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Center's financial assets available within one year from the statement of financial position date for general operating purposes are as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Cash	\$ 489,483	\$ 921,553
Accounts receivable, net	588,493	79,752
Current portion of pledges receivable	<u>15,300</u>	<u>29,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,093,276</u>	<u>\$ 1,030,305</u>

As part of the Center's liquidity management, the Center has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As of June 30, 2021 and 2020, the Center has financial assets equal to approximately four and three months of operating expenses, respectively. The Center also has access to a \$1,000,000 line of credit (see Note 5) that can be drawn upon, as needed, to cover operating costs.

## NEWTON COMMUNITY SERVICE CENTERS, INC. D/B/A FAMILY ACCESS OF NEWTON

Notes to Financial Statements  
June 30, 2021 and 2020

---

### 11. EMPLOYEE RETENTION TAX CREDIT

ERTC was first established by the CARES Act and was extended and expanded by the Consolidated Appropriations Act (CAA) and American Rescue Plan (ARP). ERTC provides a refundable tax credit against certain employment taxes equal to 50% of the first \$10,000 in qualified wages paid to each employee between March 12, 2020 and December 31, 2020 (2020 ERTC), and 70% of the first \$10,000, per quarter, in qualified wages paid to each employee between January 1, 2021 and December 31, 2021 (2021 ERTC). To be eligible, the Center must meet certain conditions as described in applicable laws and regulations.

During fiscal year 2021, the Center determined that it qualified for the 2020 ERTC in the amount of \$547,026 and, therefore, is accounting for it as a conditional grant under ASC Subtopic 958-605. The grant is conditional upon certain performance requirements and the incurrence of eligible expenses. In the opinion of management, these conditions were met as of June 30, 2021, and therefore, the entire refund of \$547,026 that the Center expects to receive is included in the current portion of accounts receivable in the accompanying 2021 statement of financial position. Eligibility for the credit and the credit calculations is subject to review and approval by the Federal government. In the opinion of management, the results of such reviews and audit will not have a material effect on the financial position of the Center as of June 30, 2021, and on the changes in its net assets for the year then ended.

### 12. CONTINGENCY

#### Coronavirus

In March 2020, the COVID-19 coronavirus (COVID-19) pandemic emerged in the United States triggering widespread government mandated and voluntary business closures, which in turn have led to substantial interruptions in financial markets, employment and the economy as a whole. Though the potential financial effects cannot be reasonably estimated at this time, these circumstances may have adverse effects on the Center, its operations and future financial statements. The accompanying financial statements have not been adjusted for any potential financial effects that may occur in the future related to the current uncertainty.

Management of the Center is monitoring these events closely to assess the financial impact of the situation and determine appropriate courses of action. As of the date of this report, the Center is unable to accurately predict how COVID-19 will affect the results of its operations because the disease's severity and the duration of the outbreak are uncertain.

### 13. CONTINUING OPERATIONS

The Center incurred a change in net assets from operations of \$(592,765) and \$(335,911) for the years ended June 30, 2021 and 2020, respectively. The Center's net assets without donor restrictions net assets for operations are \$(4) and \$(306,501) as of June 30, 2021 and 2020, respectively.

Management has a revenue monitoring and enhancement plan in place which includes continuing to promote the Early Learning Center's open market rate slots to ramp up and increase the occupancy of the program from its current below breakeven level to one that ensures profitability. In parallel, a cost cutting plan and implementation period for this plan is in place in the event the Center is unable to increase market rate slot enrollment within the established timeline.

The majority of the operating loss for the year ended June 30, 2021, was directly related to the pandemic and the temporary closure of several of the Center's core programs. The Center did secure the second draw PPP loan (see Note 6) which positively impacted cash flow in 2021. Management anticipates a favorable increase in operating net assets in fiscal year 2022 as notification of loan forgiveness was received in July 2021 (see Note 6).