



NEWTON COMMUNITY SERVICE CENTERS, INC.

**FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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

Contents
June 30, 2022 and 2021

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Newton Community Service Centers, Inc. d/b/a Family ACCESS of Newton (a Massachusetts corporation, not for profit) (the Center), which comprise the statements of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the accompanying financial statements 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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

AAFCPA, Inc.

Boston, Massachusetts
November 2, 2022

NEWTON COMMUNITY SERVICE CENTERS, INC. D/B/A FAMILY ACCESS OF NEWTONStatements of Financial Position
June 30, 2022 and 2021

Assets	2022	2021
Current Assets:		
Cash	\$ 1,024,052	\$ 489,483
Grant receivable	58,303	547,026
Contracts receivable, net	48,850	41,467
Current portion of pledges receivable	66,800	15,300
Prepaid expenses	33,816	32,773
Total current assets	1,231,821	1,126,049
Pledges Receivable, net	55,894	20,980
Property and Equipment, net	1,002,265	1,033,237
Total assets	<u>\$ 2,289,980</u>	<u>\$ 2,180,266</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of notes payable	\$ 12,687	\$ 12,028
Accounts payable and accrued expenses	293,272	223,384
Client deposits	271,761	251,511
Total current liabilities	577,720	486,923
Notes Payable, net of current portion	243,594	861,022
Total liabilities	<u>821,314</u>	<u>1,347,945</u>
Net Assets:		
Without donor restrictions:		
Operating	596,049	(4)
Property and equipment	745,984	754,105
Total without donor restrictions	1,342,033	754,101
With donor restrictions	126,633	78,220
Total net assets	<u>1,468,666</u>	<u>832,321</u>
Total liabilities and net assets	<u>\$ 2,289,980</u>	<u>\$ 2,180,266</u>

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, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support:						
Program service revenue:						
Tuition and fees	\$ 2,105,118	\$ -	\$ 2,105,118	\$ 1,280,817	\$ -	\$ 1,280,817
Contracts	879,943	-	879,943	648,430	-	648,430
Rental and other income	9,412	-	9,412	5,043	-	5,043
Total program service revenue	<u>2,994,473</u>	<u>-</u>	<u>2,994,473</u>	<u>1,934,290</u>	<u>-</u>	<u>1,934,290</u>
Support:						
Grants	849,937	-	849,937	741,537	15,000	756,537
Contributions	144,643	166,963	311,606	212,103	83,187	295,290
Net assets released from time restrictions	108,550	(108,550)	-	167,377	(167,377)	-
Net assets released from program restrictions	10,000	(10,000)	-	15,000	(15,000)	-
Total support	<u>1,113,130</u>	<u>48,413</u>	<u>1,161,543</u>	<u>1,136,017</u>	<u>(84,190)</u>	<u>1,051,827</u>
Total operating revenue and support	<u>4,107,603</u>	<u>48,413</u>	<u>4,156,016</u>	<u>3,070,307</u>	<u>(84,190)</u>	<u>2,986,117</u>
Operating Expenses:						
Child and family services	3,511,868	-	3,511,868	2,847,619	-	2,847,619
General and administrative	403,590	-	403,590	483,918	-	483,918
Fundraising and development	198,131	-	198,131	247,345	-	247,345
Total operating expenses	<u>4,113,589</u>	<u>-</u>	<u>4,113,589</u>	<u>3,578,882</u>	<u>-</u>	<u>3,578,882</u>
Changes in net assets from operations	(5,986)	48,413	42,427	(508,575)	(84,190)	(592,765)
Other Revenue:						
Forgiveness of debt	593,918	-	593,918	796,632	-	796,632
Changes in net assets	587,932	48,413	636,345	288,057	(84,190)	203,867
Net Assets:						
Beginning of year	754,101	78,220	832,321	466,044	162,410	628,454
End of year	<u>\$ 1,342,033</u>	<u>\$ 126,633</u>	<u>\$ 1,468,666</u>	<u>\$ 754,101</u>	<u>\$ 78,220</u>	<u>\$ 832,321</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 636,345	\$ 203,867
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Forgiveness of debt	(593,918)	(796,632)
Depreciation	105,287	97,887
Change in discount on pledges receivable	4,536	(3,579)
Changes in operating assets and liabilities:		
Grant receivable	488,723	(547,026)
Contracts receivable	(7,383)	38,285
Pledges receivable	(90,950)	61,270
Prepaid expenses	(1,043)	(2,600)
Accounts payable and accrued expenses	69,888	29,173
Client deposits	20,250	(27,186)
	<u>631,735</u>	<u>(946,541)</u>
Net cash provided by (used in) operating activities		
Cash Flows from Investing Activities:		
Purchase of property and equipment	<u>(74,315)</u>	<u>(68,485)</u>
Cash Flows from Financing Activities:		
Principal payments on notes payable	(22,851)	(10,962)
Proceeds from notes payable	<u>-</u>	<u>593,918</u>
	<u>(22,851)</u>	<u>582,956</u>
Net cash provided by (used in) financing activities		
Net Change in Cash	534,569	(432,070)
Cash:		
Beginning of year	<u>489,483</u>	<u>921,553</u>
End of year	<u>\$ 1,024,052</u>	<u>\$ 489,483</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 12,268</u>	<u>\$ 12,532</u>

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

Statements of Functional Expenses
For the Years Ended June 30, 2022 and 2021

	2022				2021			
	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
Personnel and Related:								
Salaries and wages	\$ 2,329,757	\$ 185,833	\$ 99,403	\$ 2,614,993	\$ 1,871,070	\$ 275,989	\$ 163,786	\$ 2,310,845
Fringe benefits	230,931	39,458	17,613	288,002	149,648	38,874	22,315	210,837
Payroll taxes	184,892	13,385	6,446	204,723	167,803	23,514	12,203	203,520
Total personnel and related	2,745,580	238,676	123,462	3,107,718	2,188,521	338,377	198,304	2,725,202
Occupancy:								
Occupancy and facility cost	135,035	17,916	2,388	155,339	128,677	17,791	2,425	148,893
Depreciation	90,976	12,599	1,712	105,287	84,557	11,739	1,591	97,887
Insurance	40,900	2,393	755	44,048	37,988	6,302	701	44,991
Interest	-	12,215	-	12,215	8,456	3,866	160	12,482
Total occupancy	266,911	45,123	4,855	316,889	259,678	39,698	4,877	304,253
Other:								
Independent contractors	181,870	388	50,840	233,098	196,898	249	28,926	226,073
Recruiting	72,833	45,325	-	118,158	37,214	15,916	-	53,130
Bank and other fees	79,908	4,881	763	85,552	56,723	4,474	680	61,877
Professional fees and temporary help	3,454	47,433	-	50,887	3,477	55,468	-	58,945
Program	47,096	-	-	47,096	56,159	-	-	56,159
Marketing	31,842	-	12,192	44,034	6,415	-	9,167	15,582
Technology	21,670	11,247	4,346	37,263	5,652	10,795	3,852	20,299
Office supplies	22,349	9,833	947	33,129	15,533	17,597	896	34,026
Staff training	19,542	34	-	19,576	5,560	219	-	5,779
Telephone	16,059	507	726	17,292	13,436	1,122	643	15,201
Transportation	2,754	143	-	2,897	2,353	3	-	2,356
Total other	499,377	119,791	69,814	688,982	399,420	105,843	44,164	549,427
Total expenses	\$ 3,511,868	\$ 403,590	\$ 198,131	\$ 4,113,589	\$ 2,847,619	\$ 483,918	\$ 247,345	\$ 3,578,882

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, 2022 and 2021

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, 2022 and 2021, have been discounted to present value using a discount rate of 3% (see Note 3).

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.

Grant Receivable

Grant receivable includes an amount related to the Employee Retention Tax Credit (see Note 11).

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

Notes to Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contracts Receivable and Allowance for Doubtful Accounts

Included in contracts receivable are amounts for contract services which were not received by the Center prior to fiscal year-end. 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, 2022 and 2021.

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 are those amounts received with donor restrictions that have not yet been expended for their designated purpose or subject to the passage of time. Net assets with donor restrictions consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Time restrictions	\$ 106,633	\$ 78,220
Program restrictions	<u>20,000</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 126,633</u>	<u>\$ 78,220</u>

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

Notes to Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022 and 2021.

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 years 2022 and 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.

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

Notes to Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2022 and 2021. 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 November 2, 2022, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the accompanying financial statements.

NEWTON COMMUNITY SERVICE CENTERS, INC. D/B/A FAMILY ACCESS OF NEWTONNotes to Financial Statements
June 30, 2022 and 2021**3. PLEDGES RECEIVABLE**

Pledges receivable are due as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Amounts due in:		
Less than one year	\$ 66,800	\$ 15,300
One to five years	<u>67,050</u>	<u>27,600</u>
	133,850	42,900
Less - discount	8,156	3,620
Less - allowance	<u>3,000</u>	<u>3,000</u>
	122,694	36,280
Less - current portion	<u>66,800</u>	<u>15,300</u>
Long-term pledges receivable, net	<u>\$ 55,894</u>	<u>\$ 20,980</u>

4. PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land and land improvements	\$ 37,611	\$ 37,611
Building and improvements	2,546,020	2,514,287
Software and equipment	<u>656,443</u>	<u>613,861</u>
	3,240,074	3,165,759
Less - accumulated depreciation	<u>2,237,809</u>	<u>2,132,522</u>
Property and equipment, net	<u>\$ 1,002,265</u>	<u>\$ 1,033,237</u>

5. LINE OF CREDIT

The Center has a \$1,000,000 revolving line of credit with a bank. Outstanding borrowings are due on demand and interest is payable monthly at the *Wall Street Journal's* prime rate (4.75% and 3.25% at June 30, 2022 and 2021, respectively), 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, 2022 and 2021.

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 was readjusted by the bank to 4.25% in September 2020. The interest rate will adjust to the most recent available five-year Federal Home Loan Bank of Boston Regular Classic Advance Rate plus 2.75% on May 8, 2024, and will adjust every five years thereafter. Principal and interest are due in monthly installments of \$2,933. During fiscal year 2022, the Center made an additional payment of \$12,000. The balance of this note was \$256,281 and \$279,132 as of June 30, 2022 and 2021, 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, 2022 and 2021

6. NOTES PAYABLE (Continued)

Maturities of the notes payable for the next five years are as follows:

<u>Fiscal Year</u>	
2023	\$ 12,687
2024	\$ 13,331
2025	\$ 14,306
2026	\$ 14,875
2027	\$ 15,686
Thereafter	\$ 185,386

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 for the year ended June 30, 2021.

The Center applied for and was awarded a forgivable loan totaling \$593,918 during fiscal year 2021 from the second round of the PPP established by the 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. This amount was reflected as a note payable as of June 30, 2021. The Center submitted the application for forgiveness for this loan in January 2021. The Center received notice from the SBA and the bank that the full loan balance was forgiven in July 2021. This amount is included as forgiveness of debt in the accompanying statement of activities and changes in net assets for the year ended June 30, 2022.

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

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 contributed \$959 and \$811 to the Plan during the years ended June 30, 2022 and 2021, respectively.

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 79% and 61% of the Center's pledges receivable were due from two donors at June 30, 2022 and 2021, respectively (see Note 3).

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

Notes to Financial Statements
June 30, 2022 and 2021

8. CONCENTRATIONS (Continued)

Approximately 43% of the Center's contracts receivable is due from the Department of Children and Families and Department of Early Education and Care at June 30, 2022. Approximately 54% and 93% of the Center's contracts receivable pertained to the ERTC at June 30, 2022 and 2021, respectively (see Note 11).

9. LEASE AGREEMENTS

Office Equipment

The Center leases office equipment under an operating lease agreement with monthly payments of \$550 due through March 2022. In March 2022, the Center entered into a new operating lease agreement to lease office equipment with monthly payments of \$475 due through March 2025.

Rent expense under these agreements was approximately \$6,400 and \$6,600 for the years ended June 30, 2022 and 2021, respectively, and is included in occupancy and facility cost in the accompanying statements of functional expenses.

Future minimum lease payments under this agreement over the remainder of the lease term is as follows:

<u>Fiscal Year</u>	
2023	\$ 5,700
2024	5,700
2025	<u>4,275</u>
Total	<u>\$ 15,675</u>

10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

	<u>2022</u>	<u>2021</u>
Cash	\$ 1,024,052	\$ 489,483
Grant receivable	58,303	547,026
Contracts receivable, net	48,850	41,467
Current portion of pledges receivable	<u>66,800</u>	<u>15,300</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,198,005</u>	<u>\$ 1,093,276</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, 2022 and 2021, the Center has financial assets equal to approximately three and a half and four 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.

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Notes to Financial Statements
June 30, 2022 and 2021

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 September 30, 2021 (2021 ERTC). To be eligible, the Center must meet certain conditions as described in applicable laws and regulations.

During fiscal years 2022 and 2021, the Center determined that it qualified for the 2021 ERTC and 2020 ERTC in the amounts of \$295,030 and \$547,026, respectively, and, therefore, is accounting for them as a conditional grant under ASC Subtopic 958-605. These grants are conditional upon certain performance requirements and the incurrence of eligible expenses. In the opinion of management, these conditions were met as of June 30, 2022 and 2021. During fiscal year 2022, the Center received payments of \$254,746 and \$488,723 related to the 2021 ERTC and 2020 ERTC, respectively, and also was able to apply \$40,284 of the 2021 credits as a reduction of fiscal year 2022 employer payroll tax liabilities on its payroll tax filings. As of June 30, 2022, grant receivable of \$58,303 on the accompanying 2022 statement of financial position related to the 2020 ERTC.

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, 2022, and on the changes in its net assets for the year then ended.

12. CONTINUING OPERATIONS

The Center incurred a change in net assets from operations of \$42,427 and \$(592,765) for the years ended June 30, 2022 and 2021, respectively. The Center's net assets without donor restrictions net assets for operations are \$596,049 and \$(4) as of June 30, 2022 and 2021, 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. The Center had a favorable increase in operating net assets in fiscal year 2022 as notification of loan forgiveness was received in July 2021 (see Note 6).

13. CONDITIONAL GRANTS

During fiscal year 2022, the Center was awarded government contracts totaling approximately \$910,000 that contained funder-imposed conditions that represent a barrier that must be overcome as well as a right of return of assets or release from obligations. The Center recognizes related revenue from these government contracts when funder-imposed conditions are substantially met. The funder-imposed conditions for this contract revenue include the requirement for the Center to provide services. Given the aforementioned reasons, no amounts pertaining to these conditional commitments are included in the accompanying financial statements.