



NEWTON COMMUNITY SERVICE CENTERS, INC.

**FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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

Contents
June 30, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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.

Emphasis of Matter

Discussed in Note 11 to the financial statements, is the Center's financial condition and how management plans to stabilize operations. Our opinion is not modified with respect to this matter.

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, which 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.

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, which 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
October 24, 2023

NEWTON COMMUNITY SERVICE CENTERS, INC. D/B/A FAMILY ACCESS OF NEWTONStatements of Financial Position
June 30, 2023 and 2022

Assets	2023	2022
Current Assets:		
Cash	\$ 612,688	\$ 1,024,052
Grant receivable	-	58,303
Contracts receivable, net	67,211	48,850
Current portion of pledges receivable	68,700	66,800
Prepaid expenses	37,801	33,816
Total current assets	786,400	1,231,821
Pledges Receivable, net	4,402	55,894
Property and Equipment, net	1,032,282	1,002,265
Total assets	<u>\$ 1,823,084</u>	<u>\$ 2,289,980</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of notes payable	\$ 12,050	\$ 12,687
Accounts payable and accrued expenses	337,741	293,272
Client deposits	273,939	271,761
Total current liabilities	623,730	577,720
Notes Payable, net of current portion	232,662	243,594
Total liabilities	<u>856,392</u>	<u>821,314</u>
Net Assets:		
Without donor restrictions:		
Operating	102,045	596,049
Property and equipment	787,570	745,984
Total without donor restrictions	889,615	1,342,033
With donor restrictions	77,077	126,633
Total net assets	<u>966,692</u>	<u>1,468,666</u>
Total liabilities and net assets	<u>\$ 1,823,084</u>	<u>\$ 2,289,980</u>

The accompanying notes are an integral part of these statements.

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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, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support:						
Program service revenue:						
Tuition and fees	\$ 2,323,825	\$ -	\$ 2,323,825	\$ 2,105,118	\$ -	\$ 2,105,118
Contracts	844,400	-	844,400	879,943	-	879,943
Total program service revenue	<u>3,168,225</u>	<u>-</u>	<u>3,168,225</u>	<u>2,985,061</u>	<u>-</u>	<u>2,985,061</u>
Support:						
Grants	706,031	1,500	707,531	849,937	-	849,937
Contributions	184,512	7,700	192,212	144,643	166,963	311,606
Interest and other income	7,958	-	7,958	9,412	-	9,412
Net assets released from time restrictions	48,756	(48,756)	-	108,550	(108,550)	-
Net assets released from program restrictions	10,000	(10,000)	-	10,000	(10,000)	-
Total support	<u>957,257</u>	<u>(49,556)</u>	<u>907,701</u>	<u>1,122,542</u>	<u>48,413</u>	<u>1,170,955</u>
Total operating revenue and support	<u>4,125,482</u>	<u>(49,556)</u>	<u>4,075,926</u>	<u>4,107,603</u>	<u>48,413</u>	<u>4,156,016</u>
Operating Expenses:						
Child and family services	3,979,896	-	3,979,896	3,511,868	-	3,511,868
General and administrative	434,091	-	434,091	403,590	-	403,590
Fundraising and development	163,913	-	163,913	198,131	-	198,131
Total operating expenses	<u>4,577,900</u>	<u>-</u>	<u>4,577,900</u>	<u>4,113,589</u>	<u>-</u>	<u>4,113,589</u>
Changes in net assets from operations	(452,418)	(49,556)	(501,974)	(5,986)	48,413	42,427
Other Revenue:						
Forgiveness of debt	-	-	-	593,918	-	593,918
Changes in net assets	(452,418)	(49,556)	(501,974)	587,932	48,413	636,345
Net Assets:						
Beginning 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>
End of year	<u>\$ 889,615</u>	<u>\$ 77,077</u>	<u>\$ 966,692</u>	<u>\$ 1,342,033</u>	<u>\$ 126,633</u>	<u>\$ 1,468,666</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (501,974)	\$ 636,345
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Forgiveness of debt	-	(593,918)
Depreciation	105,502	105,287
Change in discount on pledges receivable	7,258	4,536
Changes in operating assets and liabilities:		
Grant receivable	58,303	488,723
Contracts receivable	(18,361)	(7,383)
Pledges receivable	42,334	(90,950)
Prepaid expenses	(3,985)	(1,043)
Accounts payable and accrued expenses	44,469	69,888
Client deposits	2,178	20,250
	<u>(264,276)</u>	<u>631,735</u>
Net cash provided by (used in) operating activities		
Cash Flows from Investing Activities:		
Purchase of property and equipment	(135,519)	(74,315)
Cash Flows from Financing Activities:		
Principal payments on notes payable	(11,569)	(22,851)
Net Change in Cash	(411,364)	534,569
Cash:		
Beginning of year	<u>1,024,052</u>	<u>489,483</u>
End of year	<u>\$ 612,688</u>	<u>\$ 1,024,052</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 10,823</u>	<u>\$ 12,268</u>

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

Statements of Functional Expenses
For the Years Ended June 30, 2023 and 2022

	2023				2022			
	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	\$ 2,687,917	\$ 206,782	\$ 85,684	\$ 2,980,383	\$ 2,329,757	\$ 185,833	\$ 99,403	\$ 2,614,993
Fringe benefits	283,713	41,807	14,386	339,906	230,931	39,458	17,613	288,002
Payroll taxes	228,558	13,066	6,086	247,710	184,892	13,385	6,446	204,723
Total personnel and related	<u>3,200,188</u>	<u>261,655</u>	<u>106,156</u>	<u>3,567,999</u>	<u>2,745,580</u>	<u>238,676</u>	<u>123,462</u>	<u>3,107,718</u>
Occupancy:								
Occupancy and facility cost	141,840	10,139	2,464	154,443	135,035	17,916	2,388	155,339
Depreciation	64,018	8,866	1,205	74,089	33,207	4,598	625	38,430
Insurance	44,569	6,596	797	51,962	40,900	2,393	755	44,048
Interest	-	10,782	-	10,782	-	12,215	-	12,215
Total occupancy	<u>250,427</u>	<u>36,383</u>	<u>4,466</u>	<u>291,276</u>	<u>209,142</u>	<u>37,122</u>	<u>3,768</u>	<u>250,032</u>
Other:								
Independent contractors	159,036	1,097	39,522	199,655	181,870	388	50,840	233,098
Bank and other fees	81,659	7,517	634	89,810	79,908	4,881	763	85,552
Recruiting	39,846	33,926	-	73,772	72,833	45,325	-	118,158
Professional fees and temporary help	14,177	57,740	-	71,917	3,454	47,433	-	50,887
Technology	55,483	11,036	5,379	71,898	21,670	11,247	4,346	37,263
Marketing	61,235	-	5,567	66,802	31,842	-	12,192	44,034
Office supplies	21,865	19,735	818	42,418	22,349	9,833	947	33,129
Program	34,392	-	-	34,392	47,096	-	-	47,096
Depreciation	27,143	3,759	511	31,413	57,769	8,001	1,087	66,857
Telephone	18,526	554	860	19,940	16,059	507	726	17,292
Staff training	10,378	-	-	10,378	19,542	34	-	19,576
Transportation	5,541	689	-	6,230	2,754	143	-	2,897
Total other	<u>529,281</u>	<u>136,053</u>	<u>53,291</u>	<u>718,625</u>	<u>557,146</u>	<u>127,792</u>	<u>70,901</u>	<u>755,839</u>
Total expenses	<u>\$ 3,979,896</u>	<u>\$ 434,091</u>	<u>\$ 163,913</u>	<u>\$ 4,577,900</u>	<u>\$ 3,511,868</u>	<u>\$ 403,590</u>	<u>\$ 198,131</u>	<u>\$ 4,113,589</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, 2023 and 2022

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, 2023 and 2022, 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.

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

Notes to Financial Statements
June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grant Receivable

Grant receivable includes an amount related to the Employee Retention Tax Credit (ERTC) (see Note 10). This amount was collected during fiscal year 2023.

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, 2023 and 2022.

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.

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

Notes to Financial Statements
June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

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>2023</u>	<u>2022</u>
Time restrictions	\$ 65,577	\$ 106,633
Program restrictions	<u>11,500</u>	<u>20,000</u>
Total net assets with donor restrictions	<u>\$ 77,077</u>	<u>\$ 126,633</u>

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. See Note 12 for the Center's conditional awards as of June 30, 2023.

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.

The Center generally measures revenue for qualifying exchange transactions based on the amount of consideration the Center expects to be entitled for the transfer of goods or services to a client, then recognizes this revenue when or as the Center satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Center evaluates its revenue contracts with customers based on the five-step model under ASC Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

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.

Total contracts receivable are as follows as of June 30:

<u>2023</u>	<u>2022</u>	<u>2021</u>
\$ 69,211	\$ 50,850	\$ 41,467

Interest and other is recognized as earned.

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

Notes to Financial Statements
June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2022 (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, depreciation and insurance, 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.

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.

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

Notes to Financial Statements
June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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, 2023 and 2022. 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 October 24, 2023, 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.

3. PLEDGES RECEIVABLE

Pledges receivable are due as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Amounts due in:		
Less than one year	\$ 68,700	\$ 66,800
One to five years	<u>8,300</u>	<u>67,050</u>
	77,000	133,850
Less - discount	898	8,156
Less - allowance	<u>3,000</u>	<u>3,000</u>
	73,102	122,694
Less - current portion	<u>68,700</u>	<u>66,800</u>
	\$ 4,402	\$ 55,894
Long-term pledges receivable, net	<u>\$ 4,402</u>	<u>\$ 55,894</u>

4. PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Land and land improvements	\$ 37,611	\$ 37,611
Building and improvements	2,659,259	2,546,020
Software and equipment	<u>678,723</u>	<u>656,443</u>
	3,375,593	3,240,074
Less - accumulated depreciation	<u>2,343,311</u>	<u>2,237,809</u>
	\$ 1,032,282	\$ 1,002,265
Property and equipment, net	<u>\$ 1,032,282</u>	<u>\$ 1,002,265</u>

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

Notes to Financial Statements
June 30, 2023 and 2022

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 (8.25% and 4.75% at June 30, 2023 and 2022, 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, 2023 and 2022.

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 on this note is 4.25%. 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 \$1,866. The balance of this note was \$244,712 and \$256,281 as of June 30, 2023 and 2022, respectively. The note is collateralized by a second mortgage on the property and an assignment of leases and rents.

Maturities of the notes payable are as follows:

<u>Fiscal Year</u>	
2024	\$ 12,050
2025	\$ 12,608
2026	\$ 13,162
2027	\$ 13,740
2028	\$ 14,322
Thereafter	\$ 178,830

The Center applied for, and was awarded, a forgivable loan totaling \$593,918 during fiscal year 2021 from the second round of the Payroll Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (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 received notice from the Small Business Administration (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.

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 \$1,230 and \$959 to the Plan during the years ended June 30, 2023 and 2022, 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.

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Notes to Financial Statements
June 30, 2023 and 2022

8. CONCENTRATIONS (Continued)

Approximately 82% and 79% of the Center's pledges receivable were due from three and two donors at June 30, 2023 and 2022, respectively (see Note 3).

Approximately 98% and 94% 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, 2023 and 2022, respectively. One hundred percent of the Center's grant receivable pertained to the ERTC at June 30, 2022 (see Note 10). Approximately 14% and 13% of the Center's contracts revenue is from the Department of Early Education for the years ended June 30, 2023 and 2022, respectively.

9. 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>2023</u>	<u>2022</u>
Cash	\$ 612,688	\$ 1,024,052
Grant receivable	-	58,303
Contracts receivable, net	67,211	48,850
Current portion of pledges receivable	<u>68,700</u>	<u>66,800</u>
Total financial assets	748,599	1,198,005
Less - net assets subject to purpose restrictions	<u>11,500</u>	<u>20,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 737,099</u>	<u>\$ 1,178,005</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, 2023 and 2022, the Center has financial assets equal to approximately two and three and a half 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.

10. EMPLOYEE RETENTION TAX CREDIT

The 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 conditional grants 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 in the accompanying 2022 statement of financial position related to the 2020 ERTC.

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Notes to Financial Statements
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10. EMPLOYEE RETENTION TAX CREDIT (Continued)

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, 2023 and 2022, respectively, and on the changes in its net assets for the years then ended.

11. CONTINUING OPERATIONS

The Center incurred changes in net assets from operations of \$(501,974) and \$42,427 for the years ended June 30, 2023 and 2022, respectively. The Center's net assets without donor restrictions net assets for operations are \$102,045 and \$596,049 as of June 30, 2023 and 2022, 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, as well as opening additional classrooms to meet demand to ramp up and increase the occupancy of the program to one that ensures profitability. The plan also includes a rate increase to address the rising costs incurred in fiscal year 2023 to acquire new staff and retain current staff given the overall economic employment market. The strategic move to invest in the expansion of the infant and toddler programs to meet the current demand has become a pipeline for the preschool program, which has seen a decline in recent years. The Center is also working on partnerships to expand the exposure of the Center to target individual and foundation grants. 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. Management is confident that the result of these efforts will have a positive effect on the Center's operating results.

12. CONDITIONAL GRANTS

During fiscal year 2023, the Center was awarded a government contract totaling approximately \$1,195,000 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.

13. RECLASSIFICATION

Certain amounts in the fiscal year 2022 financial statements have been reclassified to conform with the fiscal year 2023 presentation.