Centerboard, Inc.

Financial Statements

June 30, 2013 and 2012

Romito, Tomasetti & Associates, P.C.
Certified Public Accountants
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Independent Auditor's Report

To the Board of Directors
Centerboard, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Centerboard, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Organization's 2012 financial statements and, in our report dated November 13, 2012, we expressed an unqualified opinion on those 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Centerboard, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Romito, Tomasetti & Associates, P.C.

Woburn, Massachusetts
November 13, 2013

Centerboard, Inc.
Statements of Financial Position
June 30, 2013 and 2012

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents (Note 2(g))	$ 283,193	314,119
Accounts receivable (Notes 2(h) and 3)	717,812	634,112
Prepaid expenses	58,577	64,091
Total current assets	1,059,582	1,012,322
Property and equipment, net (Notes 2(i), 4 and 11)	615,997	617,190
Total assets	$ 1,675,579	1,629,512
Liabilities and Net Assets		
Current liabilities:		
Current portion, long-term liabilities (Note 10)	$ 7,745	7,542
Accounts payable	61,080	78,666
Accrued expenses (Note 5)	204,588	212,244
Deferred revenue (Note 6)	-	8,388
Total current liabilities	273,413	306,840
Long-term liabilities, less current portion (Note 10)	20,009	27,737
Total liabilities	293,422	334,577
Net assets (Notes 11 and 12):		
Unrestricted	881,975	801,020
Temporarily restricted	500,182	493,915
Total net assets	1,382,157	1,294,935
Commitments (Note 8)		
Total liabilities and net assets	$ 1,675,579	1,629,512

See accompanying notes to financial statements.

Centerboard, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2013
(with comparative totals for 2012)

	Unrestricted	Temporarily Restricted	Total 2013	Total 2012
Support and revenue:				
Cash contributions	$ 34,316	-	34,316	34,044
In-kind contributions	12,904	-	12,904	38,500
Grants	390,111	5,000	395,111	327,635
Program service fees	6,715,506	2,124	6,717,630	6,973,058
Interest income	502	-	502	1,159
Other income	11,299	-	11,299	9,079
Net assets released from restriction	857	(857)	-	-
Total support and revenue	7,165,495	6,267	7,171,762	7,383,475
Expenses:				
Program services:				
Scattered Sites	2,078,993	-	2,078,993	2,486,891
STARR	1,356,144	-	1,356,144	1,335,498
Adolescent Group Home	732,186	-	732,186	590,078
Teen Living	566,778	-	566,778	518,557
Pre-Independent Living	559,091	-	559,091	522,905
Financial Stability Center	431,897	-	431,897	322,836
Program for Independent Living	285,540	-	285,540	250,906
Supported Teen Parent Employment	97,737	-	97,737	97,097
Andrew Street Housing	39,135	-	39,135	48,953
Broadway	17,462	-	17,462	12,892
Educational Services (CLASS)	-	-	-	45,401
Total program services	6,164,963	-	6,164,963	6,232,014
Support services:				
General and administrative	889,231	-	889,231	968,806
Fundraising	30,346	-	30,346	17,564
Total expenses	7,084,540	-	7,084,540	7,218,384
Change in net assets	80,955	6,267	87,222	165,091
Net assets, beginning of year	801,020	493,915	1,294,935	1,129,844
Net assets, end of year	$ 881,975	500,182	1,382,157	1,294,935

See accompanying notes to financial statements.

Centerboard, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2013

(with comparative totals for 2012)

	Payroll and Related Expenses	Occupancy	Program/ Operating Expenses	Direct Administrative Expenses	Other Operating Expenses	Depreciation	Total 2013	Total 2012
Program services:								
Scattered Sites	$ 609,021	1,350,846	62,507	11,872	37,757	6,990	2,078,993	2,486,891
STARR	1,046,792	135,344	158,186	4,026	11,443	353	1,356,144	1,335,498
Adolescent Group Home	540,426	97,711	80,618	4,026	7,423	1,982	732,186	590,078
Teen Living	401,002	114,298	33,023	4,028	14,342	85	566,778	518,557
Pre-Independent Living	343,854	93,597	105,726	2,432	5,551	7,931	559,091	522,905
Financial Stability Center	304,642	69,380	21,407	15,595	17,439	3,434	431,897	322,836
Program for Independent Living	160,394	44,925	73,023	2,433	4,663	102	285,540	250,906
Supported Teen Parent Employment	65,782	17,802	10,050	1,595	2,474	34	97,737	97,097
Andrew Street Housing	33,478	2,157	855	545	2,100	-	39,135	48,953
Broadway	-	16,460	-	-	-	1,002	17,462	12,892
Educational Services (CLASS)	-	-	-	-	-	-	-	45,401
Total program services	3,505,391	1,942,520	545,395	46,552	103,192	21,913	6,164,963	6,232,014
Support services:								
General and administrative	695,976	64,221	6,876	60,288	53,700	8,170	889,231	968,806
Fundraising	-	3,293	1,700	-	25,353	-	30,346	17,564
Total expenses	$ 4,201,367	2,010,034	553,971	106,840	182,245	30,083	7,084,540	7,218,384

See accompanying notes to financial statements.

Centerboard, Inc.

Statements of Cash Flows

For the Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ 87,222	165,091
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	30,083	27,580
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(83,700)	116,538
(Increase) decrease in prepaid expenses	5,514	(12,258)
Increase (decrease) in accounts payable	(17,586)	13,492
Increase (decrease) in accrued expenses	(7,656)	64,577
Increase (decrease) in deferred revenue	(8,388)	(372,586)
Net cash provided by operating activities	5,489	2,434
Cash flows from investing activities:		
Purchase of property and equipment	(28,890)	(41,092)
Net cash used in investing activities	(28,890)	(41,092)
Cash flows from financing activities:		
Repayment of long-term debt	(7,525)	(12,375)
Net cash used in financing activities	(7,525)	(12,375)
Net decrease in cash and cash equivalents	(30,926)	(51,033)
Cash and cash equivalents, beginning of year	314,119	365,152
Cash and cash equivalents, end of year	$ 283,193	314,119
Supplemental Disclosures:		
Interest paid	$ 924	1,199
Supplemental disclosures of noncash investing and financing activities:		
Financed purchases of motor vehicles	$ -	39,229

See accompanying notes to financial statements.

(1) Organization

Centerboard, Inc. ("Centerboard" or "Organization") is a private non-profit corporation whose purpose is to revitalize the City of Lynn, Massachusetts as an urban center which supports the entire region with a vital creative economy and strong, safe and stable housing, jobs and schools.

The various programs include:

Scattered Sites Family Emergency Shelter
The Scattered Sites Family Emergency Shelter (SSFES) consists of seventy-seven apartments in various locations throughout the city of Lynn. The apartments are managed by private property owners and Centerboard. SSFES case management staff provides comprehensive services to homeless families. Families referred to the SSFES program by the Massachusetts Division of Housing and Community Development are screened for placement in an effort to target families who are motivated and have the ability to live independently.

STARR
The STARR program provides a group home for males and females (ages 12-18). This program is designed to integrate children and families back into the community with the necessary supports in place to gain independence. This program requires a solid diagnostic/assessment clinical team to ensure that proper services are offered to the families and children being served.

Adolescent Group Home
This group home program provides residential treatment for 12 youths (ages 13-18) who are under the care of the Department of Children and Families. This program provides long term care from three months up to two years. Youths in this program have an array of concerns such as: difficulties in school, issues at home, behavioral issues, and mental health issues. Youths have their medical and mental health needs addressed within the program by a team of professionals. Family members are encouraged to participate in the program whenever possible.

Teen Living Program
The Teen Living Program (TLP) is a residential program designed to provide a permanent and stable home environment for eleven pregnant or parenting young mothers and their children. In an emergency situation the program may temporarily accommodate three additional teen mothers and their children until permanent homes are found.

Teen parents must be referred to Centerboard by the Massachusetts Department of Children and Families. Every teen mother must attend school regularly and participate in skill development. This structured curriculum is balanced with a nurturing support system designed to foster physical and social development for the residents and their children.

Pre-Independent Living Program (Pre-ILP)
The Pre-ILP program was developed at the joint request of the Department of Children and Families (DCF) and Lutheran Social Service, Inc. (LSS). LSS has an agreement with DCF

(1) **Organization** (Continued)

Pre-Independent Living Program (Pre-ILP) (Continued)
and the Federal Government to provide homes for youth who have entered the United States without families. LSS currently provides services to over 120 individuals, and the number is growing. Centerboard has agreed to accommodate up to 10 individuals. The program is designed to provide a structured home for these individuals. The staffing ratio is 5 clients to 1 staff member, and youth are allowed to come and go independently but must obey house rules and be a part of the household. Individuals must either be working, in job training, or in school. Meals are provided on a daily basis, and a weekly allowance is supplied.

Financial Stability Center
The United Way Financial Stability Center, powered by Centerboard, helps working families and low-income residents move toward greater economic stability, higher earnings and home ownership. The Financial Stability Center has developed a campaign which has two elements as the platforms to assist families obtain financial independence: Volunteer Income Tax Assistance (VITA) sites and Prosperity Centers. The United Way has ceased funding the Center and the program was terminated on October 4, 2013.

Program for Independent Living
The Program for Independent Living allows young men and women the opportunity to live independently in their own apartment but with supervision. Each resident works toward gaining their high school diploma or GED or pursuing further education while gaining the necessary skills to live independently. The residents pay 30% of their income towards rent and an additional 10% into a savings plan. Upon graduation, the resident will receive their savings money to use towards housing, school, etc.

Supported Teen Parent Employment Program
The Supported Teen Parent Employment Program (STEP) is a six to nine month, apartment model, teen living program (TLP). Eligible teen mothers must already be placed in a TLP, have achieved their service plan goals, be age 18 or older, and have a GED or high school diploma. Residents are required to attend twenty hours of group meetings per month including, but not limited to, parenting and house meetings. Because residents will reside in an individual apartment, teens must be able to follow rules, be self-motivated, and have strong parenting skills. STEP strives to foster self-sufficiency through education and employment while promoting personal growth, and ensuring the safety of each resident and her children. STEP residents work with a case manager to perform an extensive housing search. The program is not staffed twenty-four hours; however, staff is on-call.

Andrew Street Housing
The Andrew Street Housing program provides case management services to individuals living in efficiency housing (personal kitchenette and bath) located in a rooming house. Four of the ten units are handicapped accessible. Residents of the program must be homeless and have a disability. Residents are required to pay 30% of their income towards rent while the remaining portion is subsidized by the Lynn Housing Authority through federal funds.

(1) **Organization** (Continued)

Broadway
The Broadway Program consists of two single family homes donated to Centerboard in May, 2008. One home was put into service during 2009 and was being used for low income housing. The property was taken out of service in March, 2013. (See Note 11).

Centerboard Literacy and Scholastic Services (CLASS)
The CLASS Program, which provided education enhancement services to children and adults through volunteer tutors, had no activity during 2013 and has been closed.

(2) **Summary of Significant Accounting Policies**

(a) Method of Accounting
The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America pursuant to the accrual basis method of accounting. Under this method of accounting, revenues and expenses are identified with specific periods of time and are recorded as earned or incurred without regard to the date of receipt or disbursement of cash.

(b) Contributions
Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions include cash, materials, property and equipment and services. Contributed services are recorded at fair value and include services which create or enhance non-financial assets or require specialized skills which would typically need to be purchased by Centerboard, if not donated.

(c) Estimates and Assumptions
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) Functional Allocation of Expenses
Expenses are allocated among program and supporting services directly or on the basis of time records and utilization estimates made by management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

(2) **Summary of Significant Accounting Policies** (Continued)

(e) Government Service Fees
Centerboard derives approximately 83% of its revenue from contracts with the Commonwealth of Massachusetts and other local government units. Revenue from certain contracts is recognized when expenditures for allowable goods and services are incurred. These contracts are subject to audit by the funding entity and such audits could result in claims against Centerboard for disallowed costs or noncompliance with restrictions. No provision has been made for any liabilities that may arise from such audits since management believes that it has complied with all contract terms and conditions.

(f) In-kind Contributions of Property and Services
Centerboard records the value of donated goods or services when there is an objective basis available to measure their value. Donated goods and services are presented as in-kind contributions and services in the accompanying financial statements. Donated property such as food, clothing, and furniture are recorded at their estimated values at date of receipt. Donated services are valued at the comparable compensation which would be paid to an individual in such paid positions.

(g) Cash and Cash Equivalents
Centerboard considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

(h) Accounts Receivable
Accounts receivable are stated at the amount the Organization expects to collect from balances outstanding at year-end. The Organization closely monitors outstanding balances and writes off, as of year-end, all balances that are not expected to be collected. Accordingly, an allowance for doubtful accounts was not necessary as of June 30, 2013 and 2012.

(i) Property, Equipment and Depreciation
The Organization capitalizes all property and equipment with a value of more than $3,500. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Upon retirement or sale, the asset cost and related accumulated depreciation are removed from the accounts and any gain or loss is credited to, or charged against, income. Depreciation is computed using the straight-line method over estimated useful lives as follows:

Category	Estimated Life
Buildings	20 years
Motor vehicles	3 - 5 years
Furniture and equipment	5 - 7 years

(2) **Summary of Significant Accounting Policies** (Continued)

(j) Long-Lived Assets
The Organization reviews the carrying value of its long lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. Any long-lived assets held for disposal are reported at the lower of their carrying amount or fair values less costs to sell. Centerboard has determined that no impairment has taken place at June 30, 2013.

(k) Tax Status and Income Taxes
Centerboard was incorporated under the provisions of Chapter 180 of the General Laws of the Commonwealth of Massachusetts. The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. However, the Organization is subject to tax on any unrelated business income. During the years ended June 30, 2013 and 2012, the Organization did not have any unrelated business taxable income and, accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

Accounting principles generally accepted in the United States of America require that a tax position be recognized or derecognized based on a more than likely or not threshold. This applies to tax positions taken or expected to be taken on a tax return. The Organization regularly assesses the potential settlement outcomes resulting from income tax examinations. The Organization does not believe that there are any uncertain tax positions that require recognition in its financial statements. As of the date of this report, the statute of limitations for examination by the Federal and Massachusetts taxing authorities is open for the Organization's 2009 through 2012 tax returns (representing the fiscal years ended June 30, 2010 through 2013).

(l) Comparative Financial Information
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

(3) **Accounts Receivable**

Accounts receivable consist of the following:

	2013	2012
Program services	$ 717,693	630,110
Advances to related parties (see Note 9)	-	3,252
Employee advance	119	750
	$ 717,812	634,112

(4) Property and Equipment

Property and equipment consist of the following:

	2013	2012
Land	$ 361,400	361,400
Buildings and improvements	180,450	180,450
Motor vehicles	100,582	100,582
Furniture and equipment	93,466	64,576
	735,898	707,008
Accumulated depreciation and amortization	(119,901)	(89,818)
Net property and equipment	$ 615,997	617,190

Depreciation expense was $30,083 and $27,580 for the years ended June 30, 2013 and 2012.

(5) Accrued Expenses

Accrued expenses consist of the following:

	2013	2012
Payroll and payroll taxes	$ 80,559	94,309
Audit and tax services	27,750	26,500
Vacation	59,879	61,443
Client and contract pass-throughs	22,039	17,838
Other expenses	14,361	12,154
	$ 204,588	212,244

(6) Deferred Revenue

During 2012, Centerboard billed under various government contracts $11,834 for the Scattered Sites Toolbox program. These funds were being utilized to provide rental support to clients in the program. Contract revenue is recognized monthly as rent and related expenses are incurred. As of June 30, 2013 and 2012, the excess of the amount of the contract billed and rent and related expenses incurred is reported as deferred revenue, as follows:

	2013	2012
Deferred revenue, beginning of year	$ 8,388	380,974
Contract amounts billed	-	11,834
Rent and related expenses incurred	(8,388)	(384,420)
Deferred revenue, end of year	$ -	8,388

The Toolbox program was discontinued during 2012. The remaining deferred revenue was recognized in 2013 as expenses were incurred to transition clients to other facilities.

(7) Retirement Plan

Centerboard offers a Savings Incentive Match Plan for Employees (the "SIMPLE") under Section 408(p) of the Internal Revenue Code. Eligible employees are those who have received at least $5,000 in compensation for each of the two (2) previous calendar years. Centerboard matches up to a maximum of 3% of qualifying participant salary. Matching contributions were $29,181 and $26,935 for the years ended June 30, 2013 and 2012, respectively.

(8) Commitments

Leases

Centerboard leases numerous residential apartments in the City of Lynn under one year lease agreements with options to renew for up to three further terms of one year each. These units house families in the Scattered Sites Family Emergency Shelter program. Rent incurred for these facilities during 2013 and 2012 aggregated approximately $1,095,000, each year.

Centerboard also leases several buildings with residential units used in the Teen Living, Adolescent Group Home, Independent Living, STARR and Pre-Independent Living Programs under various one-year lease agreements, which all expired June 30, 2014. Rent incurred for these locations totaled approximately $360,000 for each year ended June 30, 2013 and 2012. Rent expense for these buildings is anticipated to be approximately $310,000 for the year ending June 30, 2014.

In June, 2012, Centerboard was forced to terminate their lease of office space located at 270 Union Street, Lynn, MA for its Financial Stability Center and Scattered Sites Programs. Prior to terminating the lease the rent paid was below fair market value. For the fiscal year ended June 30, 2012, Centerboard recognized rent expense of $91,633, including actual rent paid of $53,133 and an in-kind donation of $38,500, which represents the difference in fair market value over actual rent paid.

In July, 2011, Centerboard moved its administrative offices to 20 Wheeler St, Lynn, MA, and entered into a one-year lease that expired on July 31, 2012. Annual rent of $33,084 was payable in monthly installments of $2,757. The landlord was responsible for all utilities, taxes, and building maintenance.

In June, 2012, Centerboard moved their administrative offices to 16 City Hall Square, Lynn, MA, under an agreement with an initial three year lease term expiring on May 31, 2015. Centerboard has the option to extend the term of the lease for three additional three-year terms. The lease requires rental payments pursuant to a predetermined fixed annual escalation schedule. The initial year of the lease sets the annual rent at $120,000, payable in monthly installments of $10,000. The Organization is also responsible for real estate taxes and insurance. Total rent and related costs paid in 2013 amounted to $164,275.

Centerboard is currently in the process of obtaining $1,500,000 in financing in order to exercise their exclusive option to purchase and renovate the property. A closing date no later than December 20, 2013, is anticipated.

(8) **Commitments** (Continued)

Centerboard leases certain equipment under non-cancelable operating leases. Total rent expense for the years ended June 30, 2013 and 2012 totaled $3,830 and $4,550, respectively, and is included in program/operating expenses on the Statement of Functional Expenses.

Future minimum lease payments under these leases are as follows:

Fiscal Year Ending	Real Estate	Equipment	Total
2014	$ 1,535,199	3,690	1,538,889
2015	128,333	3,690	132,023
2016	-	2,639	2,639
2017	-	157	157
	$ 1,663,532	10,176	1,673,708

(9) **Related Party Transactions**

Centerboard has entered into several rental contracts with Affordable Housing Associates of Lynn, Inc. ("AHA"), a non-profit organization related to Centerboard by common management, in connection with the Scattered Sites Family Emergency Shelter program (see Note 8). Rents paid by Centerboard to AHA were approximately $621,000 and $637,000 for the years ended June 30, 2013 and 2012, respectively. All rents are established at market values.

Centerboard and AHA have combined efforts in a number of programs and have used their expertise to apply for grants under joint venture agreements and/or memorandums of understanding. Centerboard's Board of Directors has voted to investigate further collaborative and/or other types of alignment, which would benefit both organizations.

Centerboard bills AHA for repairs and maintenance costs incurred by Centerboard in connection with properties owned by AHA and used by Centerboard in its Scattered Sites Program. There were no amounts due from or payable to AHA as of June 30, 2013 and 2012.

During 2012, Centerboard began renting apartments from an LLC that is partially owned by a Board Member. Management believes that rent is being paid at fair market value, is consistent with amounts paid for similar apartments, and is in the normal course of business of the Organization. Rental payments to this LLC totaled $65,400 and $25,850 for the fiscal years ended June 30, 2013 and 2012, respectively.

An immediate family member of the Executive Director was a tenant at the Centerboard property located at 150 Broadway, Saugus, MA before the property was taken out of service in March, 2013. The rent was partially paid through a low income housing voucher from Lynn Housing Authority. The tenant's share of rent was based on family income. This family member was indebted for rent owed to Centerboard in the amount of $-0- and $3,252, as of June 30, 2013 and 2012, respectively. In July, 2010, this same family member was hired on a

(9) **Related Party Transactions** (Continued)

part time basis to provide clerical support for the administrative offices. In fiscal 2011, she began working 40 hours per week, entitling her to receive all of the benefits available to other full-time employees. The family member's compensation totaled $400 and $12,681 for the years ended June 30, 2013 and 2012, respectively. Employment was terminated in July, 2012.

During 2012, an immediate family member of the Chief Financial Officer was used on a part time basis to perform maintenance work at various locations. The family member's compensation totaled $664 for the year ended June 30, 2012.

The children of various staff members participate in the Summer Jobs Program sponsored by the United Way. Participants in that program are all paid the same hourly rate ($8.25) and work for 30 hours a week for 6 weeks.

(10) **Long-Term Liabilities**

The following is a summary of long-term liabilities at June 30, 2013 and 2012:

	2013	2012
Note payable to bank due in monthly installments of $419, including interest at 2.9%, through February, 2017; secured by a motor vehicle	$ 17,430	21,880
Note payable to bank due in monthly installments of $285, including interest at 2.9%, through August, 2016; secured by a motor vehicle	10,324	13,399
Long-term liabilities	27,754	35,279
Less current portion of long-term liabilities	7,745	7,542
Long term liabilities, net of current installments	$ 20,009	27,737

Interest expense totaled $905 and $1,199 for the years ended June 30, 2013 and 2012, respectively.

Aggregate annual maturities of the long-term liabilities (exclusive of repayment of surplus revenue retention, if any) are as follows:

Year	Amount
2014	$ 7,745
2015	7,973
2016	8,207
2017	3,829
	$ 27,754

(11) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purpose:

	2013	2012
Land and building to be used in the Organization's charitable purpose	$ 493,058	493,551
Public Arts Project	5,000	-
Clothing and birthday expense allowances	2,124	-
Youth Venture activities	-	364
	$ 500,182	493,915

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors, as follows:

	2013	2012
Depreciation on donated buildings	$ 493	985
Youth Venture activities	364	636
	$ 857	1,621

During May 2008, the Organization received a donation of land and buildings located at 148 and 150 Broadway, Saugus, MA, subject to a "Quitclaim Deed With Reversion." The properties have been recorded at their estimated fair market values at the date of donation. The grantors have retained a life estate interest to use and occupy the premises during their lifetime. When each property is put into service by the Organization, the temporary restriction will be moved to the unrestricted classification in an amount equal to the annual depreciation expense recorded. Previously, only the 150 Broadway location was being used but it was taken out of service in March, 2013.

During 2012, the Organization became aware that the heirs of the grantors were considering contesting the validity of the donation. No legal action has been taken and the parties are currently in negotiations to amicably resolve the dispute. As such, no adjustment has been made to the carrying values of the property. In management's opinion, the Organization holds valid title to the properties and should there be any negative outcome due to future legal proceedings or negotiations they would not have a material effect upon the financial position of the Organization.

(12) Net Assets and Surplus Revenue Retention

The Not-For-Profit Provider Surplus Revenue Retention Policy pursuant to 808 CMR 1.19(3) of the Pricing, Reporting and Auditing for Social Programs, allows a provider to retain, for future use, a portion of annual net surplus from the revenues and expenses associated with services provided to purchasing agencies which are subject to 808 CMR 1.00. The net surplus may not exceed 5% of said provider's revenue annually and the cumulative amount of the provider's net surplus may not exceed 20% of the provider's prior year's revenues from

(12) **Net Assets and Surplus Revenue Retention** (Continued)

purchasing agencies. A current year surplus exceeding the 5% annual level or a cumulative surplus exceeding the 20% level amount may be reinvested in program services as stipulated by the purchasing agency, recouped or used by the Commonwealth to reduce the price of future contracts.

The total surplus revenue for 2013 and 2012 was $191,825 and 189,558; (3.24% and 3.07% of the total prior year Commonwealth revenue, respectively). The cumulative surplus revenue for 2013 and 2012 was $1,128,011 and $936,186, respectively, as follows:

Surplus revenue retention, June 30, 2012	$ 936,186
Plus current year surplus	191,825
Surplus revenue retention, June 30, 2013	$ 1,128,011

The balance at June 30, 2013 is less than the allowable 20% of the prior year's gross state revenue.

(13) **Concentrations of Credit Risk**

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and temporary cash investments and trade accounts receivable. The Organization places its cash and temporary cash investments with high credit quality financial institutions. At times, however, such investments may be in excess of the federally insured (Federal Deposit Insurance Corporation) limit of $250,000. The Organization routinely assesses the financial strength of its customers and as a consequence, believes that its trade accounts receivable credit risk exposure is limited.

(14) **Subsequent Events**

Management has evaluated subsequent events through November 13, 2013, the date on which the financial statements were available to be issued. Management has determined that no material subsequent events have occurred since June 30, 2013, that required recognition or disclosure in these financial statements.