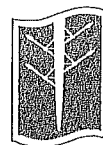


BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

AND INDEPENDENT AUDITORS' REPORT



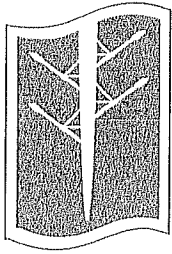
Murphy,
Edwards,
Goncalves
&
Ferrera, PC

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

FOR THE YEAR ENDED JUNE 30, 2011

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Murphy,
Edwards,
Goncalves
&
Ferrera, PC

*Certified Public Accountants
and Business Advisors*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Boston Chinatown Neighborhood Center, Inc.

We have audited the accompanying statement of financial position of Boston Chinatown Neighborhood Center, Inc. ("BCNC", a nonprofit organization) as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of BCNC's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from BCNC's 2010 financial statements, and in our report dated October 28, 2010, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BCNC as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2011, on our consideration of BCNC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Directors of
Boston Chinatown Neighborhood Center, Inc.

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

Murphy, Edwards, Doncaluso & Ferraro PC

Southborough, Massachusetts
October 12, 2011

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2011

(With Comparative Totals as of June 30, 2010)

	2011	2010
ASSETS		
CURRENT ASSETS:		
Cash (Note 2)	\$ 1,581,940	\$ 1,545,589
Investments (Notes 2 and 4)	10,845	9,091
Accounts Receivable (Note 2)	103,579	138,998
Grants Receivable (Note 5)	137,500	252,000
Other Receivables (Notes 9 and 18)	157,794	154,728
Agency Funds (Note 8)	129,596	32,326
Prepaid Expenses	66,477	60,913
Total Current Assets	<u>2,187,731</u>	<u>2,193,645</u>
PROPERTY AND EQUIPMENT, NET (Notes 2 and 10)	<u>2,669,586</u>	<u>2,748,028</u>
OTHER ASSETS:		
Endowment Funds (Notes 2, 7 and 14)	102,453	20,000
Grants Restricted for Long Term Purposes (Note 5)	-	141,400
Total Other Assets	<u>102,453</u>	<u>161,400</u>
TOTAL ASSETS	<u>\$ 4,959,770</u>	<u>\$ 5,103,073</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accrued Expenses	\$ 193,673	\$ 216,374
Accrued Payroll	81,434	121,106
Accrued Vacation	37,977	29,842
Advances From Funding Source (Notes 9 and 18)	129,030	144,030
Service Fee Advances (Note 11)	46,543	57,597
Funds Held in Trust (Note 8)	129,596	32,326
Total Current Liabilities	<u>618,253</u>	<u>601,275</u>
NET ASSETS:		
Unrestricted (Notes 2 and 12)	3,823,029	3,921,182
Temporarily Restricted (Notes 2 and 13)	416,035	560,616
Permanently Restricted (Notes 2 and 14)	102,453	20,000
Total Net Assets	<u>4,341,517</u>	<u>4,501,798</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,959,770</u>	<u>\$ 5,103,073</u>

See Accompanying Auditors' Report and Notes To Financial Statements

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
SUPPORT AND REVENUE					
Contributions:					
Individuals	\$ 162,744	\$ -	\$ 82,453	\$ 245,197	\$ 161,372
Grants	381,117	274,635	-	655,752	806,961
Special Events	230,870	-	-	230,870	206,165
In Kind (Note 2)	1,323,720	-	-	1,323,720	464,318
Released From Restriction	419,216	(419,216)	-	-	-
Service Fees:					
Contracts	1,670,575	-	-	1,670,575	1,830,574
Parent Fees	662,950	-	-	662,950	693,799
Other Service Fees	85,223	-	-	85,223	100,872
Interest and Dividends	10,002	-	-	10,002	15,952
Realized and Unrealized Gain (Loss)	890	-	-	890	(336)
Total Support and Revenue	<u>4,947,307</u>	<u>(144,581)</u>	<u>82,453</u>	<u>4,885,179</u>	<u>4,279,677</u>
FUNCTIONAL EXPENSES					
Program Expenses:					
Family Child Care Program	369,192	-	-	369,192	349,998
Acorn Center for Early Education and Care	952,937	-	-	952,937	877,471
Red Oak After School Program	588,701	-	-	588,701	659,640
Oak Street Youth Program	355,457	-	-	355,457	329,453
Arts Enrichment	109,485	-	-	109,485	85,383
Adult Education Program	637,276	-	-	637,276	604,217
Recreation and Fitness Program	183,223	-	-	183,223	147,649
Family Services	144,450	-	-	144,450	94,826
Total Program Expense	<u>3,340,721</u>	<u>-</u>	<u>-</u>	<u>3,340,721</u>	<u>3,148,637</u>
Support Services:					
General and Administrative	1,431,623	-	-	1,431,623	666,960
Fundraising	273,116	-	-	273,116	246,332
Total Support Services	<u>1,704,739</u>	<u>-</u>	<u>-</u>	<u>1,704,739</u>	<u>913,292</u>
TOTAL FUNCTIONAL EXPENSES	<u>5,045,460</u>	<u>-</u>	<u>-</u>	<u>5,045,460</u>	<u>4,061,929</u>
INCREASE (DECREASE) IN NET ASSETS	(98,153)	(144,581)	82,453	(160,281)	217,748
NET ASSETS - BEGINNING OF YEAR	<u>3,921,182</u>	<u>560,616</u>	<u>20,000</u>	<u>4,501,798</u>	<u>4,284,050</u>
NET ASSETS - END OF YEAR	<u>\$ 3,823,029</u>	<u>\$ 416,035</u>	<u>\$ 102,453</u>	<u>\$ 4,341,517</u>	<u>\$ 4,501,798</u>

*See Accompanying Auditors' Report and Notes
To Financial Statements*

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

	Program Services										Support Services		2010 Total
	Family Child Care	Acorn Ctr. for Early Ed. and Care	Red Oak After-School	Oak Street Youth Center	Arts Enrichment	Adult Education Program	Recreation and Fitness Program	Family Services	Total Program Services	General and Admin.	Fundraising	2011 Total	
Salaries and Wages	\$ 113,661	\$ 600,961	\$ 351,466	\$ 227,457	\$ 59,635	\$ 401,601	\$ 160,140	\$ 99,357	\$ 2,014,278	\$ 261,905	\$ 176,493	\$ 2,452,676	\$ 2,385,204
Payroll Taxes	6,509	50,370	36,305	16,783	3,837	36,342	2,969	9,509	162,624	19,144	12,008	193,776	174,955
Benefits	12,501	96,523	69,549	31,580	7,350	67,789	5,690	18,216	309,198	38,970	23,006	371,174	332,830
Total Salaries and Related Expenses	132,671	747,854	457,320	275,820	70,822	505,732	168,799	127,082	2,486,100	320,019	211,507	3,017,626	2,892,989
Advertising	578	828	243	30	250	808	60	425	3,222	851	962	5,035	3,290
Advertising In-Kind (Note 2)	-	-	-	-	-	-	-	-	-	903,434	-	903,434	-
Bad Debt	-	-	1,085	-	-	-	100	-	1,185	-	100	1,285	1,958
Bank Charges	-	20	-	-	10	-	-	-	30	11,563	308	11,701	12,647
Consultants	4,234	15,934	(3,021)	17,249	29,405	5,727	2,169	6,310	78,007	12,640	2,475	93,122	104,445
Depreciation	-	37,018	-	13,610	-	21,776	-	-	72,404	35,385	1,089	108,878	105,491
Equipment Rental	410	3,166	2,281	1,055	241	2,285	187	597	10,222	1,261	757	12,240	14,800
Field Trips	-	518	7,714	2,810	864	7	-	-	11,913	-	-	11,913	10,820
Food	1,005	36,261	20,407	1,224	2,097	628	39	1,050	62,711	2,500	396	65,607	70,018
Insurance	861	6,649	4,791	2,215	506	4,800	392	1,255	21,469	2,533	1,588	25,590	25,317
Office Supplies	1,392	5,708	3,828	2,034	530	3,962	671	975	19,100	4,561	1,770	25,431	31,990
Miscellaneous	-	-	-	-	-	-	10	50	60	3,718	-	3,778	-
Payroll Processing	332	2,562	1,846	853	195	1,850	151	484	8,273	976	611	9,860	15,089
Permits and Fees	-	1,475	460	-	-	257	-	-	2,192	100	-	2,292	4,711
Postage	263	93	374	67	-	35	-	1,038	1,870	1,222	3,206	6,298	5,658
Printing	-	-	-	2	-	9	-	169	180	2,434	9,459	12,073	6,864
Professional Fees	757	5,847	4,213	1,947	445	4,221	345	1,103	18,878	2,227	1,395	22,500	21,500
Program and Other Supplies	673	22,309	11,041	6,813	3,697	22,915	5,836	2,621	75,905	8,641	38	84,584	67,411
Providers	218,943	-	-	-	-	-	-	-	218,943	-	-	218,943	254,742
In-Kind Rent/Parking Expense	-	-	46,000	-	-	22,000	3,600	-	71,600	45,204	-	116,804	114,540
Repairs and Maintenance	693	24,522	38	8,411	-	13,998	-	-	47,662	25,184	693	73,539	69,904
Special Events	-	200	156	794	-	-	-	-	1,150	7,107	33,215	41,472	52,223
Staff Training	4,732	2,885	2,882	3,349	84	1,711	442	432	16,517	3,642	1,251	21,410	26,268
Telephone and Internet	575	4,449	3,205	1,482	339	3,211	262	839	14,362	1,693	1,062	17,117	17,876
Travel and Transportation	24	-	7,474	1,767	-	180	160	-	9,605	72	186	9,863	9,273
T-Passes and Other In-Kind	-	31	16,364	1,340	-	190	-	20	17,945	248	-	18,193	22,085
Utilities	1,049	34,608	-	12,585	-	20,974	-	-	69,216	34,608	1,048	104,872	100,020
Total	\$ 369,192	\$ 952,937	\$ 588,701	\$ 355,457	\$ 109,485	\$ 637,276	\$ 183,223	\$ 144,450	\$ 3,340,721	\$ 1,431,623	\$ 273,116	\$ 5,045,460	\$ 4,061,929

See Accompanying Auditors' Report and Notes To Financial Statements

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

(With Comparative Totals for the Year Ended June, 30 2010)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in Net Assets	\$ (160,281)	\$ 217,748
Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:		
Depreciation	108,878	105,491
Bad Debt Expense	1,285	1,958
Realized and Unrealized (Gains) Losses on Investments	(890)	336
Donated Stock	(100,222)	(5,592)
(Increase) Decrease in Current & Other Assets:		
Accounts Receivable	34,134	24,911
Grants Receivable	(3,066)	33,110
Other Receivables	114,500	41,297
Agency Funds	(97,270)	(32,326)
Prepaid Expenses	(5,564)	(10,293)
Grants Restricted for Long Term Purposes	141,400	(1,400)
Increase (Decrease) in Current Liabilities:		
Accrued Expenses	(22,701)	60,010
Accrued Payroll	(39,672)	59,531
Accrued Vacation	8,135	(3,732)
Advances From Funding Source	(15,000)	(15,000)
Service Fee Advances	97,270	(4,486)
Funds Held in Trust	(11,054)	(185,178)
Net Cash Provided by Operating Activities	<u>49,882</u>	<u>286,385</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of Investments	17,009	5,408
Purchases of Investments	(104)	(5,448)
Purchases of Furniture and Equipment	(30,436)	(11,429)
Net Cash Used by Investing Activities	<u>(13,531)</u>	<u>(11,469)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	36,351	274,916
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,545,589</u>	<u>1,270,673</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,581,940</u>	<u>\$ 1,545,589</u>

*See Accompanying Auditors' Report and Notes
To Financial Statements*

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 ORGANIZATION AND NATURE OF ACTIVITIES

The Agency was incorporated in 1969 as the Quincy School Community Council, Inc. In May 2002, the agency filed articles with the Secretary of the Commonwealth to change its corporate name to the Boston Chinatown Neighborhood Center, Inc. (BCNC). The stated purpose of BCNC is to be a community center for Boston's Chinatown community. The mission of BCNC is to provide services for the children, youth and families they serve to attain greater economic stability and social well being.

The Acorn Center for Early Education and Care provides bilingual Cantonese/English full day child care for toddlers and preschoolers. Acorn program hours are year-round, Monday through Friday from 7:30 a.m. to 5:30 p.m. and the program is accredited by the National Association for the Education of Young Children (NAEYC) and licensed EEC. Acorn offers children a safe and nurturing environment and an educational curriculum that is inclusive of the heritage of all children.

The Red Oak After School Program provides licensed year round after school care, education and enrichment services for school age children, and expands to full-day programming during public school vacations and the summer months. Red Oak has a strong multicultural and arts focus and provides homework instruction, recreational and enrichment activities, and acculturation support for children of all backgrounds. Red Oak is licensed by the state's Department of Early Education and Care (EEC).

Family Child Care recruits, trains and licenses Chinese speaking Asian Americans interested in opening family child care businesses, and provides ongoing professional support to those who are already licensed. The program runs the first and only state funded Chinese family child care system in Massachusetts and provides over 30 subsidized child care slots for low income families.

The Adult Education Program provides a bilingual Cantonese/English and English only classroom program, a peer tutoring program for beginning level students, a volunteer tutoring program, computer literacy, citizenship classes, and educational counseling, referral and advocacy services.

The Recreation and Fitness Program provides fitness, instructional, and recreational activities through its gymnasium, exercise room, and pool for those ages 4 years and up. Activities include swim lessons, sports clinics and leagues, tournaments, and fitness classes.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 1 ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

The Oak Street Youth Center provides youth programming including leadership, skill-building, and academic activities for young people ages 11 to 18 years old. The program offers English as Second Language classes and tutoring, special interest “clubs”, and workshops, recreational and life skills activities, and counseling, referral and advocacy services. Complementing these activities are unstructured drop-in times for young people to connect and learn from each other and from the staff.

The Family Services Program provides workshops, activities, advocacy, counseling and referral services for parents and families in need of support. The program works closely with other BCNC programs and external partners to provide comprehensive support for children and families. Services range from emergency counseling for families in crisis to educational workshops on parenting skills.

The Arts and Enrichment Program provides structured after school, evening and weekend classes and activities for community children, adults, and families. The program exposes participants to a wide range of arts including multimedia, visual, language, and performing arts, and creates intentional educational opportunities for BCNC children and the greater community.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Standards of Accounting and Reporting

The accounting and reporting policies of Boston Chinatown Neighborhood Center, Inc. conform with United States generally accepted accounting policies (GAAP) as codified in the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC).

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted - Net assets which are subject to donor-imposed restrictions that they be maintained permanently by the Organization.

Cash and Cash Equivalents

Boston Chinatown Neighborhood Center, Inc. considers all highly liquid investments with an initial maturity of nine months or less to be cash equivalents.

Accounts Receivable

Accounts receivable primarily consists of amounts due for work completed on various contracts secured from governmental agencies. Management expects that accounts receivable are fully collectible, based on historical performance, and therefore has not recognized any allowance for doubtful accounts. It is BCNC's policy to write off a receivable only after all collection efforts have been fully exhausted.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Equipment and Depreciation

Property and equipment are recorded at cost, when purchased, or if donated, at their estimated fair market value at date of donation. All acquisitions of property and equipment in excess of \$500, including all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the depreciable assets. Depreciation expense for the years ended June 30, 2011 and 2010, is \$108,878 and \$105,491, respectively.

Allocation of Expenses

Expenses are allocated among program and supporting services directly or on the basis of time records and utilization estimates made by the Organization's 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.

Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

Reclassification of Financial Statement Presentation

Certain reclassifications have been made to the prior year financial statements to conform to the current year financial statement presentation. Such reclassifications have had no effect on the change in net assets as previously reported.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summarized Comparative Financial Statements

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Promises to Give

Unconditional promises to give are recognized at net realizable value as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Donated Services and Facilities/In-Kind

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased. The Organization receives the services of various staff members who are paid by other entities in addition to the free use of the space. The City of Boston is the primary provider of donated personnel and space for program and administrative offices. The value of those services is included in the financial statements as are the contributed facilities and other in-kind contributions as highlighted below.

	2011	2010
Personnel	\$ 288,111	\$ 331,280
Advertising (Donated by Comcast)	903,434	-
T-Passes, supplies and professional fees	18,371	21,498
Facilities	<u>113,804</u>	<u>111,540</u>
Total	<u>\$1,323,720</u>	<u>\$ 464,318</u>

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services and Facilities/In-Kind (Continued)

Other donated services received that do not meet the criteria for recognition, include a substantial number of volunteers who have donated significant amounts of time on Boston Chinatown Neighborhood Center, Inc.'s behalf.

Revenue and Support

Revenue and support, including investment income, is recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets, if the restriction expires in the same reporting period in which the support is recognized.

Investment Policy and Guidelines

The investment goals and objectives are to identify, monitor and invest all surplus and restricted funds available for investment subject to (in order of priority):

Safety – The preservation of principal provided by the investment in high-quality instruments with minimum credit risk.

Liquidity – The investment in instruments with scheduled maturities that ensure the timely availability of cash to meet BCNC's operating and investing requirements.

Yield – The maximum return on investment consistent with safety and liquidity.

As of June 30, 2011, surplus and restricted funds are primarily invested in money market accounts, stated at fair value based on quoted market prices, which are Level 1 fair value measurement inputs. Endowment funds are maintained under an agency agreement with the Greater Worcester Community Foundation. (See Note 7.)

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

All advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2011 and 2010, is \$5,035 and \$3,290, respectively.

Income Taxes

Under *FASB ASC 740-10*, an organization should recognize the tax benefit associated with uncertain tax positions taken for tax return purposes only when it is more likely than not the position will be sustained. The implementation of the financial accounting standard had no impact on the BCNC's financial statements. Management does not believe there are any material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits, interest or penalties. Fiscal years 2008 – 2010 are currently open for examination by taxing authorities.

Subsequent Events

Management has evaluated subsequent events through October 12, 2011, the date the financial statements were available to be issued. No significant subsequent events have been identified by management.

NOTE 3 TAX STATUS

Boston Chinatown Neighborhood Center, Inc. is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization qualifies for the charitable contributions deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 4 INVESTMENTS

Investments are held in a brokerage account and reviewed on a regular basis by management and the finance committee. The value of the uninsured money markets and securities are subject to market risk. The investments are carried at quoted market values as summarized below for the years ended June 30:

	2011	2010
Cash and Money Market Accounts	\$ 10,845	\$ 6,527
Equity Securities	<u>-</u>	<u>2,564</u>
	<u>\$ 10,845</u>	<u>\$ 9,091</u>

Investment performance during the years ended June 30, consists of:

	2011	2010
Interest and Dividends	\$ 78	\$ 40
Unrealized/Realized Gain (Loss)	<u>890</u>	<u>(336)</u>
Total Gain (Loss) on Investments	<u>\$ 968</u>	<u>\$ (296)</u>

NOTE 5 GRANTS RECEIVABLE

Unconditional grants and promises to give consist of the following as of June 30:

	2011	2010
Amounts due in:		
Less than one year	\$ 137,500	\$ 252,000
One to five years	<u>-</u>	<u>141,400</u>
Total	<u>\$ 137,500</u>	<u>\$ 393,400</u>

Management has reviewed grants receivable as of June 30, 2011, and determined that there is no need for an allowance for doubtful accounts.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 6 CONDITIONAL PROMISES TO GIVE

During the fiscal year, BCNC received two conditional promises to give. In connection with the Fuel Program (Families United in Educational Leadership), a donor has pledged to match participant savings accounts which BCNC holds in trust. If the participants meet all of the requirements of the FUEL policy, the donor will match \$1,500 per participant up to a maximum program commitment of \$30,000.

BCNC has also received a conditional two year grant commitment in the amount of \$20,000 per year for the grant period July 1, 2011 through June 30, 2013. The funds are to be used for the Adult ESL Program. Payment of the second year of the grant is contingent upon satisfactory performance within the first year of the grant.

NOTE 7 ENDOWMENT FUNDS

On January 13, 2011, BCNC signed an agency fund endowment agreement with the Greater Worcester Community Foundation (the Foundation). Under the terms of the agreement, BCNC granted the Foundation variance power and legal ownership of the endowment funds in the amount of \$102,453 and in exchange BCNC will maintain a beneficial interest in the Fund and receive an annual distribution in accordance with the Foundation's spending policy. As of June 30, 2011, the annual payout rate is 4% of the Fund's total market value averaged over twenty trailing quarters, however the Foundation reserves the right to change the spending policy in its discretion and within the parameters established by law.

NOTE 8 FUNDS HELD IN TRUST

As of the year ended June 30, 2011, BCNC was acting as the fiscal sponsor of the Chinatown Coalition and the Friends of the Chinatown Library. Under the terms of the agreements, BCNC has received advance funding and oversees the fiscal aspects of each pass through grant. At year end, \$129,596 remains available for completion of these projects.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 9 OTHER RECEIVABLES/ADVANCES FROM FUNDING SOURCE

In prior years, the City of Boston provided advances totaling \$369,030 for the working capital of other community councils. The funds are non-interest bearing and are payable upon demand. Boston Chinatown Neighborhood Center, Inc. in turn, advanced these funds to an organization under contract to manage these funds as described in Note 15. An agreement dated June 22, 1995, established a schedule for repayment in full to the City. Beginning on April 1, 1995, and each consecutive year on April 1st, a payment of \$15,000 will be submitted until such time as the advance is paid in full. In the event that the contract is terminated, full payment of the outstanding balance will be due within 90 days. The outstanding balance totaled \$129,030 and \$144,030 for June 30, 2011 and 2010, respectively.

Boston Chinatown Neighborhood Center, Inc. has been conducting negotiations with Citywide Board of Boston Centers for Youth and Families (Citywide Board) and Community Management Assistance Corporation (CMAC) with regard to assigning all liabilities associated with the City of Boston advances to either Citywide Board or CMAC. The assignment of these liabilities would have to be done with the consent of the City of Boston.

NOTE 10 PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30:

	2011	2010
Land	\$ 225,000	\$ 225,000
Building and Improvements	2,816,361	2,816,361
Leasehold Improvements	16,066	16,066
Furniture and Equipment	<u>322,985</u>	<u>292,549</u>
Total Property and Equipment	3,380,412	3,349,976
Less: Accumulated Depreciation	<u>(710,826)</u>	<u>(601,948)</u>
Net Property and Equipment	<u>\$ 2,669,586</u>	<u>\$ 2,748,028</u>

Leasehold improvements include renovations made by BCNC associated with the in-kind space provided by the City of Boston.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 11 SERVICE FEE ADVANCES

Service fee advances consist of payments received for tuition in advance of the service dates, as well as advanced funding under contracts. As of June 30, 2011 and 2010, service fee advances totaled \$46,543 and \$57,597, respectively.

NOTE 12 BOARD DESIGNATED NET ASSETS

As of June 30, 2011, the board has designated \$500,000 of unrestricted net assets for family services programming. The designated balance is primarily invested in money market accounts, which are included in BCNC's cash balance.

NOTE 13 TEMPORARILY RESTRICTED NET ASSETS

As of June 30, temporarily restricted net assets consist of the following:

	2011	2010
Red Oak Program	\$ 40,750	\$ 63,960
Acorn Center for Early Education and Care	76,510	30,000
Youth Program	42,500	72,500
Adult Education Program	27,500	75,241
Enrichment and Summer Programs	76,400	141,400
Family Services	102,375	165,000
Future Period/Operating Support	<u>50,000</u>	<u>12,515</u>
Total Temporarily Restricted Net Assets	<u>\$416,035</u>	<u>\$560,616</u>

Management expects that temporarily restricted net assets will be spent in accordance with program restrictions in fiscal year 2012.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 14 PERMANENTLY RESTRICTED NET ASSETS

As of June 30, permanently restricted net assets consist of the following:

	2011	2010
Family Services Endowment Fund	\$ 20,000	\$ 20,000
Chin Tunn Fon Endowment Fund	<u>82,453</u>	<u>-</u>
Total Permanently Restricted Net Assets	<u>\$102,453</u>	<u>\$20,000</u>

These funds represent donor designated endowment contributions, whereby the original gifts must remain invested and may not be spent. The income generated from the family services endowment is restricted in support of that program. The income generated from the Chin Tunn Fon Endowment Fund may be spent at the discretion of the board of directors.

NOTE 15 CITY AND STATE CONTRACTS

For fiscal years 2011 and 2010, 39% and 41%, respectively, of BCNC's total support and revenue was derived from cost reimbursement or unit based contracts with the City of Boston and the Commonwealth of Massachusetts. These contracts are subject to annual appropriations by each of the jurisdictions. Contracts are recognized as revenue upon performance of activities. In some cases, the contracts have been restricted by the funding source as being only available for use in specific programs. These funds are normally expended as received and are recorded together with other unrestricted revenue. The Organization provides services under a variety of third-party agreements, many of which provide for current payment on a provisional basis, subject to cost reports and audits by the respective contracting parties.

NOTE 16 RETIREMENT SAVINGS PLAN

BCNC offers all eligible employees the opportunity to participate in its 403(b) Plan. The Plan allows employees to defer a portion of their compensation on a pre-tax basis for retirement. BCNC incurred no costs associated with the plan during the fiscal years ended June 30, 2011 and 2010.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 17 OPERATING LEASES

BCNC leases office equipment under two operating leases with Ikon Financial which will expire in March 2014 and May 2016. Equipment rental under leases totaled \$12,240 and \$12,873 for the years ended June 30, 2011 and 2010, respectively. Future minimum lease payments are as follows for the years ending June 30:

2012	\$16,194
2013	\$16,194
2014	\$13,239
2015	\$ 4,374
2016	\$ 4,009

NOTE 18 OTHER CONTRACTUAL OBLIGATIONS

Boston Chinatown Neighborhood Center, Inc. (BCNC) entered into a renewable contract with Boston Centers for Youth and Families (BCYF) to fiscally manage funds relating to programs at area community centers. BCNC subcontracted the fiscal management of these funds to Community Management Assistance Corporation (CMAC). The subcontract agreement with CMAC terminated on July 1, 2000 with CMAC assuming the fiscal management contract with BCYF. BCNC remitted all proceeds to CMAC during the reported years. These financial statements do not reflect BCYF activity as BCNC was merely acting as an agent.

Community Management Assistance Corporation (CMAC) owes the BCNC funds advanced for its working capital needs totaling \$144,030 and \$159,030, as of June 30, 2011 and 2010, respectively. This balance is contained in the other receivables balance. These funds are non-interest bearing and are payable on demand. BCNC has informally deferred repayment of CMAC funds under the terms.

As discussed in Note 6, CMAC's debt to BCNC will be extinguished once the liabilities to the City of Boston are assigned to either CMAC or Citywide Board. The assignment of these liabilities was still under negotiation as of June 30, 2011

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

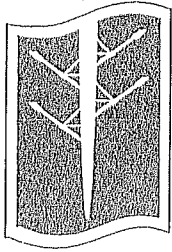
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NOTE 19 CONCENTRATIONS OF CREDIT RISK

BCNC maintains its cash balances in various financial institutions in Boston, Massachusetts. The amount insured by the Federal Deposit Insurance Corporation is \$250,000 per bank. At June 30, 2011 and 2010, the uninsured cash balances totaled \$706,797 and \$624,652, respectively.

NOTE 20 LINE OF CREDIT

BCNC has a \$500,000 revolving line of credit with Sovereign Bank. The line of credit is charged interest based on the bank's prime rate plus 1.25% and it is subject to being called on a demand basis. This line of credit is secured by all of BCNC's assets and will renew annually subject to the bank's review. As of the date of these financial statements, no advances have been made under this line of credit.



Murphy,
Edwards,
Goncalves
&
Ferrera, PC

*Certified Public Accountants
and Business Advisors*

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

To the Board of Directors of
Boston Chinatown Neighborhood Center, Inc.

We have audited the financial statements of Boston Chinatown Neighborhood Center, Inc. ("BCNC", a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

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

(Continued)

Compliance and Other Matters

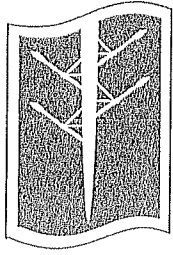
As part of obtaining reasonable assurance about whether BCNC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on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

We noted certain matters that we reported to management of BCNC in a separate letter dated October 24, 2011.

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

Murphy, Edwards, Moncalvo & Torres PC

Southborough, Massachusetts
October 12, 2011



Murphy,
Edwards,
Goncalves
&
Ferrera, PC

*Certified Public Accountants
and Business Advisors*

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

To the Board of Directors of
Boston Chinatown Neighborhood Center, Inc.

Compliance

We have audited Boston Chinatown Neighborhood Center's (BCNC) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on BCNC's major federal program for the year ended June 30, 2011. BCNC's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of BCNC's management. Our responsibility is to express an opinion on BCNC's compliance based on our audit.

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

In our opinion, BCNC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2011-01.

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

(Continued)

Internal Control Over Compliance

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

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

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

BCNC's responses to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit BCNC's responses, and accordingly, we express no opinion on the response.

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

Murphy, Edwards, Moncalvo & Torres, PC

Southborough, Massachusetts

October 12, 2011

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL PASS-THROUGH GRANTOR Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Pass-through from Massachusetts Department of Education - Child and Adult Food Program	10.558	13-035-CF-230	\$ <u>51,946</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-through from Massachusetts Department of Early Education and Care - Child Care Program	93.596	600010BOSTONCHIN06IE 2011FLEXPOOL	79,336*
Pass-through from Massachusetts Department of Early Education and Care - Child Care Program	93.558	600010BOSTONCHIN06IE 2011FLEXPOOL	396,798*
Pass-through from Massachusetts Department of Early Education and Care - Voucher Child Care Program	93.575	600010BOSTONCHIN06IE 2011FLEXPOOL	157,093*
Pass-through from Massachusetts Department of Early Education and Care - Child Care Program-ARRA Voucher Reassessment Pilot Admin - Pilot	93.713	600010BOSTONCHIN06IE 2011FLEXPOOL	<u>9,414*</u>
Total Department of Health and Human Services			<u>694,587</u>
U.S. DEPARTMENT OF EDUCATION			
Pass-through from Massachusetts Department of Elementary & Secondary Education - Adult ESL Program	84.002	359-009-7-2627-H	<u>181,387</u>

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

FEDERAL PASS-THROUGH GRANTOR Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass-through from City of Boston, EDIC - Child Care Program	14.218	DNDC08001	29,900
Pass-through from City of Boston, EDIC - School Age Program	14.218	DNDC08001	<u>15,100</u>
Total U.S. Department of Housing and Urban Development			<u>45,000</u>
Total Expenditures of Federal Awards			<u>\$920,974</u>

*Denotes a major program.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2011

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Boston Chinatown Neighborhood Center, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Boston Chinatown Neighborhood Center, Inc. were disclosed during the audit.
4. A significant deficiency relating to the audit of the major federal award program is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award program for Boston Chinatown Neighborhood Center, Inc. expresses an unqualified opinion.
6. One audit finding is disclosed below that is required to be reported in accordance with Section 510(a) of Circular A-133
7. The program tested as a major program:

Early Education and Care Program CFDA #93.596, 93.558, 93.575 and 93.713
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Boston Chinatown Neighborhood Center, Inc. qualified as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

Finding 2011-01: Billing Rate for Private Pay Customers
Federal Agency: U.S. Department of Health & Human Services
Program: Early Education and Care
CFDA#: 93.558, 93.713, 93.596 and 93.575
Award Number: 600010BOSTONCHIN06IE & 2011FLEXPOOL
Award Year: July 1, 2010 through June 30, 2011

Specific Criteria

OMB Circular A-102(2)(e)(1) Common Rule specifies that Federal agencies shall not permit grantees to use grant-acquired assets to compete unfairly with the private sector. Therefore, the organization cannot charge the public less than it is charging the government for the same services.

Finding and Perspective

During our audit procedures, we calculated the blended rate for the private paying public of the Red Oak group of children receiving services and compared it to the unit rate received for the same services from the Commonwealth of Massachusetts Department of Early Education and Care (EEC). We found that the blended rate charged for private paying parents in this group was \$1.58 per day lower than the rate received per the contract with EEC.

This item is immaterial to the contract and to the financial statements as a whole. All other private paying groups within the contract were charged a rate higher than the amount received from EEC.

Questioned Costs

Total questioned amounts are \$10,054 which is both immaterial to the contract and to the financial statements as a whole.

Recommendation

The Organization should increase its rates to private paying individuals in the Red Oak Program such that they are paying at least the same blended rate as that paid by EEC.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

Management's Response

For fiscal year 2012, BCNC will implement rate increases on all private fee daycare, summer school, and after school programs. In addition, the Finance Department and the Childcare Intake Administrative Team are reviewing the Red Oak After School fee structure for the full days of childcare when school is not in session due to holidays and vacation. BCNC will roll out new pricing for those weeks to ensure that there is no pricing gap between the EEC blended billing rate and private family fee rate.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Boston Chinatown Neighborhood Center, Inc. (BCNC) under programs of the federal government for the year ended June 30, 2011. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of BCNC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of BCNC.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.