

SILVER SPRING NEIGHBORHOOD CENTER, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(With Summarized Totals for the Year Ended June 30, 2011)

SILVER SPRING NEIGHBORHOOD CENTER, INC.

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Independent Auditor's Report

Board of Directors
Silver Spring Neighborhood Center, Inc.

We have audited the accompanying balance sheet of Silver Spring Neighborhood Center, Inc. as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Silver Spring Neighborhood Center, Inc.'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 the Organization's 2011 financial statements and, in our report dated October 11, 2011, we expressed an unqualified opinion on those financial 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 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 Silver Spring Neighborhood Center, Inc. as of June 30, 2012, 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 November 21, 2012, on our consideration of Silver Spring Neighborhood Center, Inc.'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 the 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal and state 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 in accordance with the *State Single Audit Guidelines*, and is also not a required part of the 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 financial statements as a whole.


RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
November 21, 2012

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SILVER SPRING NEIGHBORHOOD CENTER, INC.
BALANCE SHEET
JUNE 30, 2012
(With Summarized Totals for June 30, 2011)

ASSETS		2012	2011
CURRENT ASSETS			
Cash and Cash Equivalents	\$	784,622	\$ 874,532
Prepaid Expenses		50	50
Inventory		---	13,375
Net Accounts Receivable		7,478	9,969
Grants Receivable		273,941	238,662
Net Pledges Receivable		177,092	170,288
Total Current Assets	\$	<u>1,243,183</u>	<u>\$ 1,306,876</u>
FIXED ASSETS			
Fixed Assets	\$	3,239,608	\$ 3,239,608
Accumulated Depreciation		<u>(1,271,983)</u>	<u>(1,157,577)</u>
Total Fixed Assets	\$	<u>1,967,625</u>	<u>\$ 2,082,031</u>
OTHER ASSETS			
Reserve for Unemployment	\$	34,000	\$ 34,000
Salary Advances		1,779	2,257
Total Other Assets	\$	<u>35,779</u>	<u>\$ 36,257</u>
TOTAL ASSETS		<u><u>\$ 3,246,587</u></u>	<u><u>\$ 3,425,164</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$	156,304	\$ 103,395
Accrued Payroll		172,979	149,578
Current Portion of Long-Term Liabilities		83,000	83,000
Total Current Liabilities	\$	<u>412,283</u>	<u>\$ 335,973</u>
LONG-TERM LIABILITIES			
Note Payable	\$	1,252,000	\$ 1,335,000
Less: Current Portion of Note Payable		<u>(83,000)</u>	<u>(83,000)</u>
Total Long-Term Liabilities	\$	<u>1,169,000</u>	<u>\$ 1,252,000</u>
OTHER LIABILITIES			
Reserve for Unemployment	\$	34,000	\$ 34,000
Deferred Revenue		63,534	97,342
Total Other Liabilities	\$	<u>97,534</u>	<u>\$ 131,342</u>
Total Liabilities	\$	<u>1,678,817</u>	<u>\$ 1,719,315</u>
NET ASSETS			
Unrestricted	\$	811,855	\$ 806,271
Temporarily Restricted		755,915	899,578
Total Net Assets	\$	<u>1,567,770</u>	<u>\$ 1,705,849</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 3,246,587</u></u>	<u><u>\$ 3,425,164</u></u>

The accompanying notes are an integral part of these financial statements.

SILVER SPRING NEIGHBORHOOD CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012
(With Summarized Totals for the Year Ended June 30, 2011)

	Unrestricted	Temporarily Restricted	2012 Total	2011 Total
REVENUE				
Individual Contributions	\$ 186,228	\$ 902	\$ 187,130	\$ 375,221
Corporation Contributions	97,081	---	97,081	77,826
Foundation Grants	182,843	5,759	188,602	188,211
United Way	569,685	18,958	588,643	561,201
Federal Grants	1,263,606	---	1,263,606	1,152,054
State Grants	73,574	---	73,574	73,003
County Grants	416,268	---	416,268	367,619
City Grants	3,000	---	3,000	1,500
Program Service Fees	94,536	---	94,536	84,823
Rental Income	111,780	---	111,780	97,548
Fund-Raising Income	13,832	---	13,832	9,449
Special Events	81,386	---	81,386	37,548
Special Events Expenses	(4,826)	---	(4,826)	(7,283)
Investment Income	2,175	---	2,175	6,216
In-Kind Donations	324,471	---	324,471	457,370
Miscellaneous Income	2,139	---	2,139	2,123
Net Assets Released From Restrictions	169,282	(169,282)	---	---
Total Revenue	<u>\$ 3,587,060</u>	<u>\$ (143,663)</u>	<u>\$ 3,443,397</u>	<u>\$ 3,484,429</u>
EXPENSES				
Program Services	\$ 2,961,606	\$ ---	\$ 2,961,606	\$ 2,839,071
Management and General	384,986	---	384,986	349,723
Fund-Raising	234,884	---	234,884	259,351
Total Expenses	<u>\$ 3,581,476</u>	<u>\$ ---</u>	<u>\$ 3,581,476</u>	<u>\$ 3,448,145</u>
CHANGE IN NET ASSETS	\$ 5,584	\$ (143,663)	\$ (138,079)	\$ 36,284
Net Assets, Beginning of Year	<u>806,271</u>	<u>899,578</u>	<u>1,705,849</u>	<u>1,669,565</u>
NET ASSETS, END OF YEAR	<u><u>\$ 811,855</u></u>	<u><u>\$ 755,915</u></u>	<u><u>\$ 1,567,770</u></u>	<u><u>\$ 1,705,849</u></u>

The accompanying notes are an integral part of these financial statements.

SILVER SPRING NEIGHBORHOOD CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
(With Summarized Totals for the Year Ended June 30, 2011)

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (138,079)	\$ 36,284
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities		
Depreciation Expense	114,409	117,693
(Increase) Decrease in Prepaid Expenses	---	(50)
(Increase) Decrease in Inventory	13,375	(13,375)
(Increase) Decrease in Accounts Receivable	2,490	1,059
(Increase) Decrease in Grants Receivable	(35,280)	(14,641)
(Increase) Decrease in Pledges Receivable	(6,804)	(142,413)
(Increase) Decrease in Salary Advances	478	(1,452)
Increase (Decrease) in Accounts Payable	52,908	(13,799)
Increase (Decrease) in Accrued Payroll	23,401	30,652
Increase (Decrease) in Deferred Revenue	(33,808)	35,459
	<u>Net Cash (Used) Provided by Operating Activities</u>	<u>\$ 35,417</u>
	\$ (6,910)	\$
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Certificate of Deposit	\$ ---	\$ (2,527)
Proceeds From Sale of Certificate of Deposit	---	676,644
	<u>Net Cash Provided by Investing Activities</u>	<u>\$ 674,117</u>
	\$ ---	\$
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Note Payable	\$ (83,000)	\$ (83,000)
Payments on Capital Lease	---	(2,541)
	<u>Net Cash Used by Financing Activities</u>	<u>\$ (85,541)</u>
	\$ (83,000)	\$
Net (Decrease) Increase in Cash and Cash Equivalents	\$ (89,910)	\$ 623,993
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>874,532</u>	<u>250,539</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 784,622</u>	<u>\$ 874,532</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 164	\$ 443

The accompanying notes are an integral part of these financial statements.

SILVER SPRING NEIGHBORHOOD CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

SILVER SPRING NEIGHBORHOOD CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE A - Summary of Significant Accounting Policies

Organization

Silver Spring Neighborhood Center, Inc.'s mission is to build a safer, stronger neighborhood and community. The goal of Silver Spring Neighborhood Center, Inc. is to support and empower low-income families and individuals of all ages to achieve self-sufficiency.

Accounting Method

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Fixed Assets

Fixed Assets are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The Organization capitalizes all fixed assets greater than \$5,000.

Accounts Receivable

Accounts Receivable is stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances which may affect the ability of customers to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Basis of 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. Assets of the restricted classes are created only by donor-imposed restrictions.

At June 30, 2012, the Organization had \$116,597 of temporarily time-restricted net assets, \$629,570 of temporarily purpose-restricted net assets, and \$9,748 of temporarily time- and purpose-restricted net assets.

Contributions

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

SILVER SPRING NEIGHBORHOOD CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE A - Summary of Significant Accounting Policies (continued)

Estimates

The preparation 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 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.

NOTE B - Comparative Financial Information

The financial information shown for 2011 in the accompanying financial statements is included to provide a basis of comparison with 2012 and presents summarized totals only.

NOTE C - Concentration of Risk

The Organization maintains its cash balances at three financial institutions. The cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2012, the Organization's uninsured cash balance at one financial institution totaled \$184,851.

NOTE D - Grants Receivable

Grants Receivable consists of the following as of June 30, 2012:

<u>Source</u>	<u>Amount</u>
Milwaukee Public Schools	\$107,965
Safe and Sound	20,050
Medical College of Wisconsin	14,008
Jewish Family Services	4,051
Youth Programs	27,233
Wisconsin Workforce Development	39,280
Wisconsin Technical College System	4,162
Community Advocates	13,051
Wisconsin Department of Children and Families	42,090
Miscellaneous	<u>2,051</u>
Total	<u>\$273,941</u>

SILVER SPRING NEIGHBORHOOD CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE E - Fixed Assets

Fixed Assets consists of the following as of June 30, 2012:

Leasehold Improvement	\$ 3,143,429
Vehicles	55,159
Equipment	41,020
Less: Accumulated Depreciation	<u>(1,271,983)</u>
Total	<u>\$ 1,967,625</u>

NOTE F - Reserve for Unemployment Compensation Claims

Under the terms of Wisconsin law, the Organization has elected the reimbursement financing method for unemployment compensation. The balance of \$34,000 at June 30, 2012 represents accumulated funds for the payment of future unemployment compensation claims maintained in a restricted cash account.

NOTE G - Operating Lease

The Organization has an operating lease for its facilities from the Housing Authority of the City of Milwaukee (HACM). The Organization is responsible for the liability insurance, maintenance, utilities and small repairs. The term of this lease is from September 1, 2006 through August 31, 2031. Rent is \$1 annually during the term of the lease. As a condition of the lease, the Organization agreed to give primary consideration to the residents of the Housing Authority in regard to employment and services provided by the Organization. The fair value of the rental of the facility contributed by HACM is approximately \$275,000 and is included as in-kind revenue and expense in the financial statements.

NOTE H - Note Payable

On September 1, 2004, the Organization signed a promissory note with the Housing Authority of the City of Milwaukee (HACM). The promissory note was non-cash financing related to the leasehold improvements on the building occupied by the Organization and owned by HACM. This interest-free promissory note is due in annual installments of \$83,000 payable on December 31, expiring on December 31, 2026. The promissory note is contingent upon the presence of an operating lease for the building. In September 2008, a new operating lease was created with the operating lease expiring on August 31, 2031 with an option to extend.

SILVER SPRING NEIGHBORHOOD CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE H - Note Payable (continued)

The following is a schedule by years of the future minimum payments required under the note as of June 30, 2012:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 83,000
2014	83,000
2015	83,000
2016	83,000
2017	83,000
Thereafter	<u>837,000</u>
Total	<u>\$1,252,000</u>

NOTE I - Net Pledges Receivable

The Organization records pledges in the year in which they are made. The Organization set up an allowance of the pledges receivable balance and subtracted a present value discount for uncollectible accounts with amounts that are not expected to be collected after one year.

Future pledges are expected to be collected as follows:

<u>During the Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 98,796
2014	27,000
2015	27,000
2016	27,000
2017	<u>2,000</u>
Gross Pledges Receivable	\$181,796
Less: Present Value Discount	(2,613)
Less: Allowance for Uncollectibles	<u>(2,091)</u>
Net Pledges Receivable	<u>\$177,092</u>

The pledges have been discounted by 3.25%

NOTE J - Deferred Revenue

The Organization records grant awards accounted for as exchange transactions as Deferred Revenue until related services are performed, at which time they are recognized as revenue. At June 30, 2012, the Organization had deferred revenue with the following:

Wisconsin Department of Children and Families	<u>\$63,534</u>
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SILVER SPRING NEIGHBORHOOD CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE K - Retirement Benefits

The Organization has a 401(k) retirement savings plan covering full-time employees who have been employed more than one year and who are at least 21 years old and not a part of the collectively bargained plan. The Organization contributes up to a 1.5% match of the employees' wages and makes a 4.5% non-elective contribution for a total of 6.0%. Employees can contribute from 1% to 50% of their gross wages. Pension expense was \$54,594 for the year ended June 30, 2012.

NOTE L - In-Kind Donations

The Organization received donated rent, nursing services, legal services, toys, clothing, and other items totaling \$324,471 as of June 30, 2012. The values of the donated goods and services are included in the Organization's revenue and expenses.

NOTE M - Temporarily Restricted Net Assets

Temporarily Restricted Net Assets consisted of the following amounts at June 30, 2012:

<u>Purpose</u>	<u>Amount</u>
Renovation Campaign	\$613,165
Scholarships	26,153
Time-Restricted	<u>116,597</u>
Total Temporarily Restricted Net Assets	<u>\$755,915</u>

NOTE N - Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Management has reviewed all tax positions recognized in previously filed tax returns and those expected to be taken in future tax returns. As of June 30, 2012, the Organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The Organization does not anticipate any significant changes to unrecognized income tax benefits over the next year.

NOTE O - Subsequent Events

The Organization has evaluated events and transactions occurring after June 30, 2012, the date of the most recent balance sheet, through the date the financial statements are available to be issued, November 21, 2012, for possible adjustments to the financial statements or disclosures and determined that no subsequent events need to be disclosed.

SILVER SPRING NEIGHBORHOOD CENTER, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012
(With Summarized Totals for the Year Ended June 30, 2011)

	Program Services	Management and General	Fund- Raising	2012 Total	2011 Total
Salaries and Wages	\$ 1,585,829	\$ 216,260	\$ 114,222	\$ 1,916,311	\$ 1,725,480
Retirement	39,898	10,792	3,904	54,594	46,793
Employee Benefits	114,523	33,799	11,711	160,033	147,562
Payroll Taxes	152,689	17,629	9,719	180,037	179,364
Professional Fees	157,387	28,659	15,967	202,013	196,320
Supplies	14,261	3,154	1,850	19,265	16,356
Telephone	5,904	2,046	1,384	9,334	7,461
Postage	3,080	665	4,526	8,271	7,053
Printing	1,541	376	17,343	19,260	11,001
Occupancy	128,774	11,445	867	141,086	147,570
Equipment Rental and Maintenance	10,356	1,175	1,969	13,500	12,806
Depreciation	103,460	10,297	652	114,409	117,693
Travel	58,620	6,912	708	66,240	44,089
Program Expense	90,963	833	3,821	95,617	119,341
Food and Beverage	60,863	2,473	4,592	67,928	65,970
Insurance	39,720	6,658	3,580	49,958	45,638
Advertising	10,589	---	600	11,189	11,850
Membership Dues	16,276	1,315	935	18,526	3,282
Bus Rental	16,972	---	---	16,972	12,697
Registration Fees	42,038	387	1,243	43,668	36,572
Awards and Prizes	6,623	2,002	---	8,625	2,390
In-Kind Expenses	276,020	27,200	34,626	337,846	444,576
Stipends	17,970	---	---	17,970	34,600
HUB Purchases	2,643	---	---	2,643	2,044
Non-Capital Fixed Asset Purchases	1,089	---	---	1,089	4,993
Bad Debt Expense	2,823	---	---	2,823	3,023
Other Expense	695	909	665	2,269	1,621
Totals	<u>\$ 2,961,606</u>	<u>\$ 384,986</u>	<u>\$ 234,884</u>	<u>\$ 3,581,476</u>	<u>\$ 3,448,145</u>

SILVER SPRING NEIGHBORHOOD CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ State Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Program Number	Federal Expenditures
FEDERAL EXPENDITURES			
U.S. Department of Agriculture			
Wisconsin Department of Public Instruction			
Child Care Food Program - Day Care Center	10.558		\$ 59,209
Total U.S. Department of Agriculture			<u>\$ 59,209</u>
U.S. Department of Health and Human Services			
Jewish Family Services			
Block Grants for Prevention and Treatment of Substance Abuse	93.959		\$ 36,452
Wisconsin Department of Children and Families			
ARRA-Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	93.714	0500-0501	502,179
Medical College of Wisconsin			
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092		52,609
Wisconsin Department of Children and Family Services			
Milwaukee County			
Temporary Assistance for Needy Families	93.558		416,268
Total U.S. Department of Health and Human Services			<u>\$ 1,007,508</u>
U.S. Department of Housing and Urban Development			
City of Milwaukee			
Community Development Block Grant	14.218		\$ 14,572
Total U.S. Department of Housing and Urban Development			<u>\$ 14,572</u>
U.S. Department of Education:			
Wisconsin Department of Public Instruction/ Milwaukee Public Schools/ Community Learning Center at			
Northwest Secondary	84.287		\$ 75,295
Burroughs	84.287		96,285
Browning	84.287		133,490
Thurston Woods	84.287		135,116
School of Career and Technical Assistance	84.287		98,087
Total CFDA #84.287			<u>\$ 538,273</u>
Wisconsin Technical College System			
Adult Education-Basic Grants to States	84.002	73-002	49,880
Total U.S. Department of Education:			<u>\$ 588,153</u>
Executive Office of the President			
Safe and Sound			
High Intensity Drug Trafficking Areas Program	95.001		\$ 10,432
Total Executive Office of the President			<u>\$ 10,432</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 1,679,874</u>
State Grantor/Program	State Identifying Number		State Expenditures
Wisconsin Department of Health Services			
Community Advocates			
Brighter Futures	435.541		\$ 73,574
TOTAL STATE EXPENDITURES			<u>\$ 73,574</u>

The accompanying note is an integral part of this schedule.

SILVER SPRING NEIGHBORHOOD CENTER, INC.
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Silver Spring Neighborhood Center, Inc. and is presented on the accrual basis of accounting. 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*, and State Single Audit Guidelines. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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
Silver Spring Neighborhood Center, Inc.

We have audited the financial statements of Silver Spring Neighborhood Center, Inc. as of and for the year ended June 30, 2012, and have issued our report thereon dated November 21, 2012. 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 Silver Spring Neighborhood Center, Inc.'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 the Organization'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Silver Spring Neighborhood Center, Inc.'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*.

Ritz Holman LLP
Serving businesses, nonprofits, individuals and trusts.

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To the Board of Directors of
Silver Spring Neighborhood Center, Inc.
Page Two

We noted certain matters that we reported to management of Silver Spring Neighborhood Center, Inc. in a separate letter dated November 21, 2012.

This report is intended solely for the information and use of the Board of Directors, management, 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.

A handwritten signature in black ink, appearing to read "Ritz Holman" followed by a stylized flourish.

RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
November 21, 2012

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 and the State Single Audit Guidelines

To the Board of Directors of
Silver Spring Neighborhood Center, Inc.

Compliance

We have audited the compliance of Silver Spring Neighborhood Center, Inc. with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Silver Spring Neighborhood Center, Inc.'s major federal programs are 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 each of its major federal programs is the responsibility of Silver Spring Neighborhood Center, Inc.'s management. Our responsibility is to express an opinion on Silver Spring Neighborhood Center, Inc.'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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines*. Those standards, OMB Circular A-133 and the Guidelines 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 Silver Spring Neighborhood Center, Inc.'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 Silver Spring Neighborhood Center, Inc.'s compliance with those requirements.

In our opinion, Silver Spring Neighborhood Center, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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To the Board of Directors of
Silver Spring Neighborhood Center, Inc.
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Internal Control Over Compliance

Management of Silver Spring Neighborhood Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Silver Spring Neighborhood Center, Inc.'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 our 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 and the Guidelines, 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 Silver Spring Neighborhood Center, Inc.'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.

This report is intended solely for the information and use of the Board of Directors, management, 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.


RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
November 21, 2012

**SILVER SPRING NEIGHBORHOOD CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified? | None Reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|-----------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified? | None Reported |
| 5. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 7. Identification of major programs: | <u>CFDA No.</u> |
| TANF Cluster | 93.558, 93.714 |
| Child and Adult Care Food Program | 10.558 |
| 8. Dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| 9. Auditee qualified as low-risk auditee? | Yes |

**SILVER SPRING NEIGHBORHOOD CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

B. FINANCIAL STATEMENT FINDINGS

No matters were reported.

C. FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

D. OTHER ISSUES

1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? No

2. Does the audit report show audit issues (i.e., material noncompliance, non-material noncompliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with applicable *State Single Audit Guidelines*?

Department of Children and Families	No
Department of Health Services	No
Department of Workforce Development	N/A
Department of Corrections	N/A

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? Yes

4. Name and signature of partner



ANDREW C. HOLMAN

5. Date of report

November 21, 2012