



**SOUTH BOSTON
NEIGHBORHOOD HOUSE, INC.**

**FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Contents
June 30, 2018 and 2017

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50 Washington Street
Westborough, MA 01581
508.366.9100
aafcpa.com

Independent Auditor's Report

To the Board of Directors of
South Boston Neighborhood House, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of South Boston Neighborhood House, Inc. (a Massachusetts corporation, not for profit) which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 South Boston Neighborhood House, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Alexander, Cronin, Fenning & Co., P.C.
Westborough, Massachusetts
September 5, 2018

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Statements of Financial Position
June 30, 2018 and 2017

Assets	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Current Assets:						
Cash	\$ 551,860	\$ 82,500	\$ 634,360	\$ 584,164	\$ 138,000	\$ 722,164
Cash - fiscal agent	95,345	-	95,345	60,720	-	60,720
Service contracts and grants receivable	78,525	-	78,525	80,184	-	80,184
Prepaid expenses	44,476	-	44,476	40,731	-	40,731
Total current assets	<u>770,206</u>	<u>82,500</u>	<u>852,706</u>	<u>765,799</u>	<u>138,000</u>	<u>903,799</u>
Property and Equipment, net	<u>960,867</u>	<u>-</u>	<u>960,867</u>	<u>984,184</u>	<u>-</u>	<u>984,184</u>
Total assets	<u><u>\$ 1,731,073</u></u>	<u><u>\$ 82,500</u></u>	<u><u>\$ 1,813,573</u></u>	<u><u>\$ 1,749,983</u></u>	<u><u>\$ 138,000</u></u>	<u><u>\$ 1,887,983</u></u>
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 108,118	\$ -	\$ 108,118	\$ 119,619	\$ -	\$ 119,619
Fiscal agent payable	95,345	-	95,345	60,720	-	60,720
Total current liabilities	<u>203,463</u>	<u>-</u>	<u>203,463</u>	<u>180,339</u>	<u>-</u>	<u>180,339</u>
Net Assets:						
Unrestricted:						
Operating	556,743	-	556,743	573,460	-	573,460
Property and equipment	960,867	-	960,867	984,184	-	984,184
Board designated	10,000	-	10,000	12,000	-	12,000
Total unrestricted	<u>1,527,610</u>	<u>-</u>	<u>1,527,610</u>	<u>1,569,644</u>	<u>-</u>	<u>1,569,644</u>
Temporarily restricted	<u>-</u>	<u>82,500</u>	<u>82,500</u>	<u>-</u>	<u>138,000</u>	<u>138,000</u>
Total net assets	<u>1,527,610</u>	<u>82,500</u>	<u>1,610,110</u>	<u>1,569,644</u>	<u>138,000</u>	<u>1,707,644</u>
Total liabilities and net assets	<u><u>\$ 1,731,073</u></u>	<u><u>\$ 82,500</u></u>	<u><u>\$ 1,813,573</u></u>	<u><u>\$ 1,749,983</u></u>	<u><u>\$ 138,000</u></u>	<u><u>\$ 1,887,983</u></u>

The accompanying notes are an integral part of these statements.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating Support and Revenue:						
Service contract revenue	\$ 585,248	\$ -	\$ 585,248	\$ 582,177	\$ -	\$ 582,177
Fundraising events	388,098	-	388,098	455,996	-	455,996
Program revenue	352,056	-	352,056	343,111	-	343,111
Grants and contributions	270,151	42,500	312,651	258,042	48,000	306,042
Donated goods and services	93,782	-	93,782	103,990	-	103,990
Other	22,424	-	22,424	25,857	-	25,857
Net assets released from purpose restrictions	32,500	(32,500)	-	93,500	(93,500)	-
Net assets released from time restrictions	65,500	(65,500)	-	87,000	(87,000)	-
Total operating support and revenue	<u>1,809,759</u>	<u>(55,500)</u>	<u>1,754,259</u>	<u>1,949,673</u>	<u>(132,500)</u>	<u>1,817,173</u>
Operating Expenses:						
Child Care	866,702	-	866,702	915,034	-	915,034
Elder Services	163,749	-	163,749	141,366	-	141,366
Education and Career Development	65,640	-	65,640	67,023	-	67,023
Family Engagement	310,625	-	310,625	299,535	-	299,535
General and Administrative	293,981	-	293,981	285,248	-	285,248
Development	193,816	-	193,816	221,291	-	221,291
Total operating expenses	<u>1,894,513</u>	<u>-</u>	<u>1,894,513</u>	<u>1,929,497</u>	<u>-</u>	<u>1,929,497</u>
Changes in net assets from operations	<u>(84,754)</u>	<u>(55,500)</u>	<u>(140,254)</u>	<u>20,176</u>	<u>(132,500)</u>	<u>(112,324)</u>
Non-Operating Revenue:						
Capital grants	39,112	-	39,112	36,000	-	36,000
Donated property and equipment	3,608	-	3,608	-	-	-
Gain on sale of property and equipment	-	-	-	4,000	-	4,000
Total non-operating revenue	<u>42,720</u>	<u>-</u>	<u>42,720</u>	<u>40,000</u>	<u>-</u>	<u>40,000</u>
Changes in net assets	<u>(42,034)</u>	<u>(55,500)</u>	<u>(97,534)</u>	<u>60,176</u>	<u>(132,500)</u>	<u>(72,324)</u>
Net Assets:						
Beginning of year	<u>1,569,644</u>	<u>138,000</u>	<u>1,707,644</u>	<u>1,509,468</u>	<u>270,500</u>	<u>1,779,968</u>
End of year	<u>\$ 1,527,610</u>	<u>\$ 82,500</u>	<u>\$ 1,610,110</u>	<u>\$ 1,569,644</u>	<u>\$ 138,000</u>	<u>\$ 1,707,644</u>

The accompanying notes are an integral part of these statements.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Statements of Cash Flows

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (97,534)	\$ (72,324)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	69,181	60,714
Capital grants	(39,112)	(36,000)
Gain on sale of property and equipment	-	(4,000)
Donated property and equipment	(3,608)	-
Changes in operating assets and liabilities:		
Service contracts and grants receivable	1,659	243,203
Prepaid expenses	(3,745)	(5,294)
Accounts payable and accrued expenses	(11,501)	3,618
	<u>(84,660)</u>	<u>189,917</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(42,256)	(41,788)
Proceeds from sale of property and equipment	-	4,000
	<u>(42,256)</u>	<u>(37,788)</u>
Cash Flows from Financing Activities:		
Capital grants	<u>39,112</u>	<u>36,000</u>
Net Change in Cash	(87,804)	188,129
Cash:		
Beginning of year	<u>722,164</u>	<u>534,035</u>
End of year	<u><u>\$ 634,360</u></u>	<u><u>\$ 722,164</u></u>

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2018

(With Summarized Comparative Totals for the Year Ended June 30, 2017)

	2018						2017	
	Program Services				Supporting Services		Total	Total
	Child Care	Elder Services	Education and Career Development	Family Engagement	General and Administrative	Development		
Salaries and Related:								
Salaries	\$ 531,305	\$ 80,519	\$ 34,324	\$ 144,153	\$ 200,138	\$ 115,351	\$ 1,105,790	\$ 1,131,643
Payroll taxes	41,202	6,171	2,763	10,914	16,255	8,685	85,990	85,879
Fringe benefits	34,151	6,186	581	4,083	3,210	10,145	58,356	67,809
Total salaries and related	606,658	92,876	37,668	159,150	219,603	134,181	1,250,136	1,285,331
Other Expenses:								
Program supplies and expenses	94,609	9,474	8,383	103,096	-	-	215,562	219,886
Repairs and maintenance	36,884	12,943	4,570	11,804	6,847	5,625	78,673	86,410
Depreciation	24,061	17,756	3,655	16,150	4,483	3,076	69,181	60,714
Conferences, meetings and training	2,236	316	168	447	2,857	44,764	50,788	72,418
Van and equipment rental	22,258	7,411	3,755	3,705	-	-	37,129	30,126
Professional fees	-	-	-	-	34,705	-	34,705	32,502
Insurance	14,234	7,269	1,494	6,612	1,834	1,256	32,699	31,785
Utilities	16,069	5,821	1,198	5,295	1,469	1,009	30,861	31,319
Miscellaneous	8,883	-	-	175	17,580	844	27,482	24,184
Outside services	6,655	6,915	3,450	1,155	750	-	18,925	8,386
Rent	15,300	-	-	-	-	-	15,300	15,300
Travel and transportation	12,108	-	-	10	-	-	12,118	11,320
Office supplies and expenses	3,860	1,601	382	1,884	1,795	1,694	11,216	13,532
Telephone	2,887	1,367	917	1,142	2,058	1,367	9,738	6,284
Total expenses before general and administrative allocation	866,702	163,749	65,640	310,625	293,981	193,816	1,894,513	1,929,497
General and Administrative Allocation	159,192	30,077	12,057	57,055	(293,981)	35,600	-	-
Total expenses	<u>\$ 1,025,894</u>	<u>\$ 193,826</u>	<u>\$ 77,697</u>	<u>\$ 367,680</u>	<u>\$ -</u>	<u>\$ 229,416</u>	<u>\$ 1,894,513</u>	<u>\$ 1,929,497</u>

The accompanying notes are an integral part of these statements.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2017

	Program Services				Supporting Services		Total
	Child Care	Elder Services	Education and Career Development	Family Engagement	General and Administrative	Development	
Salaries and Related:							
Salaries	\$ 551,211	\$ 70,050	\$ 38,960	\$ 161,601	\$ 193,816	\$ 116,005	\$ 1,131,643
Payroll taxes	42,034	5,255	2,873	12,298	14,862	8,557	85,879
Fringe benefits	36,751	5,151	-	5,046	8,104	12,757	67,809
Total salaries and related	629,996	80,456	41,833	178,945	216,782	137,319	1,285,331
Other Expenses:							
Program supplies and expenses	117,495	6,670	5,906	89,815	-	-	219,886
Repairs and maintenance	44,502	13,005	5,169	8,987	8,490	6,257	86,410
Depreciation	26,571	15,445	3,174	9,148	3,977	2,399	60,714
Conferences, meetings and training	1,755	222	45	401	3,122	66,873	72,418
Van and equipment rental	19,530	6,005	3,002	1,589	-	-	30,126
Professional fees	-	-	-	-	32,502	-	32,502
Insurance	16,172	7,066	1,453	4,183	1,818	1,093	31,785
Utilities	17,946	6,049	1,243	3,583	1,558	940	31,319
Miscellaneous	7,854	165	15	342	12,659	3,149	24,184
Outside services	461	3,480	4,200	-	245	-	8,386
Rent	15,300	-	-	-	-	-	15,300
Travel and transportation	11,000	-	-	320	-	-	11,320
Office supplies and expenses	3,479	2,141	542	1,670	3,101	2,599	13,532
Telephone	2,973	662	441	552	994	662	6,284
Total expenses before general and administrative allocation	915,034	141,366	67,023	299,535	285,248	221,291	1,929,497
General and Administrative Allocation	158,743	24,524	11,627	51,964	(285,248)	38,390	-
Total expenses	<u>\$ 1,073,777</u>	<u>\$ 165,890</u>	<u>\$ 78,650</u>	<u>\$ 351,499</u>	<u>\$ -</u>	<u>\$ 259,681</u>	<u>\$ 1,929,497</u>

The accompanying notes are an integral part of these statements.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2018 and 2017

1. OPERATIONS AND NONPROFIT STATUS

South Boston Neighborhood House, Inc. (the House) is a nonprofit corporation which provides various community services for residents of South Boston, Massachusetts and surrounding areas. The House is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The House is also exempt from state income taxes. Donors may deduct contributions made to the House within the IRC requirements. A substantial portion of funding is provided by various departments of the Commonwealth of Massachusetts.

2. SIGNIFICANT ACCOUNTING POLICIES

The House prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating support and revenue and operating expenses in the accompanying statements of activities and changes in net assets. Peripheral or incidental transactions are reported as non-operating revenue. Non-operating revenue, consistent with industry practice, includes capital activity.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment and Depreciation

Property and equipment are recorded at cost when purchased or at fair value at the date of donation. Renewals and betterments are capitalized as additions to the related asset accounts, while repairs and maintenance are expensed as they are incurred.

Property and equipment consist of the following, and depreciation is computed using the straight-line method over the following estimated useful lives:

	Estimated Useful Lives	2018	2017
Land	N/A	\$ 100,000	\$ 100,000
Building	40 years	1,298,646	1,298,646
Building improvements	5 - 20 years	487,711	468,805
Furniture and equipment	3 - 5 years	<u>113,952</u>	<u>113,657</u>
		2,000,309	1,981,108
Less - accumulated depreciation		<u>1,039,442</u>	<u>996,924</u>
		<u>\$ 960,867</u>	<u>\$ 984,184</u>

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation (Continued)

The House accounts for the carrying value of its long-lived assets in accordance with the requirements of ASC Topic, *Property, Plant and Equipment*. The carrying value is evaluated annually for impairment and no impairment loss was recognized in fiscal year 2018 or 2017.

Cash

For purposes of the statements of cash flows, cash consists of checking and savings accounts and does not include cash - fiscal agent (see Note 6).

Revenue Recognition

Grants and contributions are recorded as unrestricted revenue and net assets upon receipt or when unconditionally committed by the donor. Grants and contributions are recorded as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statements of activities and changes in net assets as net assets released from restrictions. Temporarily restricted grants and contributions received and expended as designated in the same fiscal year are reported as unrestricted support.

Fundraising revenue is recognized in the period the event occurs. Service contract revenue is recognized as services are provided or costs are incurred. The House records program revenue and all other income as it is earned.

Service Contracts and Grants Receivable and Allowance for Doubtful Accounts

Service contracts and grants receivable are reviewed by management and an allowance for doubtful accounts is recorded based on management's analysis of specific accounts and their estimate of amounts that may be uncollectible, if any. There was no allowance for doubtful accounts at June 30, 2018 and 2017.

Expense Allocations

Expenses related directly to a program or function are distributed to that program or function. Other expenses are allocated based upon management's estimate of the percentage attributable to each program or function.

Net Assets

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use. The House has grouped its unrestricted net assets into the following categories:

- **Operating** net assets represent amounts available for current operations.
- **Property and equipment** net assets represent amounts expended on property and equipment, net of related debt, if any.
- **Board designated** net assets represent amounts designated by the Board of Directors for future programming. Any expenditure from this fund requires Board approval.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets represent grants and contributions with the following restrictions as of June 30:

	<u>2018</u>	<u>2017</u>
Revolving loan (see Note 4)	\$ 40,000	\$ 40,000
Purpose restricted	27,500	32,500
Time restricted	<u>15,000</u>	<u>65,500</u>
	<u>\$ 82,500</u>	<u>\$ 138,000</u>

Donated Goods and Services

Individuals and other organizations contribute goods and services to the House in support of various aspects of its programs. These goods and services, which are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donating volunteers, agencies, or management, are as follows:

	<u>2018</u>	<u>2017</u>
Program supplies and expenses	\$ 78,482	\$ 88,690
Rent (see Note 5)	15,300	15,300
Donated property and equipment	<u>3,608</u>	<u>-</u>
	<u>\$ 97,390</u>	<u>\$ 103,990</u>

Subsequent Events

Subsequent events have been evaluated through September 5, 2018, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

Fair Value Measurements

The House follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the House would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The House uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the House. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Income Taxes

The House accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The House has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2018 and 2017. The House's information returns are subject to examination by the Federal and state jurisdictions.

3. FUNDING

A substantial portion of the House's support and revenue are restricted for use in designated programs as specified by the donors or contracting governmental agencies. In the opinion of management, all such revenue and funds have been expended or are restricted for their designated purposes.

The House receives a portion of its funding from government agencies of the Commonwealth of Massachusetts under unit-rate and cost reimbursable contracts. These contracts are subject to audit by the appropriate government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the House as of June 30, 2018 and 2017, or on the changes in its net assets for the years then ended.

The House received approximately 27% and 24% of its total operating support and revenue from these government agencies for the years ended June 30, 2018 and 2017, respectively. At June 30, 2018 and 2017, approximately 43% and 48%, respectively, of service contracts and grants receivable were due from these government agencies.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2018 and 2017

4. REVOLVING LOAN

The House received \$40,000 from the Boston Foundation as a grant to be used as an internal line of credit for meeting cash flow needs. The \$40,000 is held in a separate interest bearing account and all borrowings from this fund must be repaid as cash flow allows. This amount is included in temporarily restricted net assets (see Note 2) in the accompanying statements of financial position. Interest income earned on the account is unrestricted.

5. LEASE OBLIGATIONS

The House has an operating lease for rooms used in its preschool programs. This lease requires a payment of one dollar per year through February 13, 2025. In addition, the House is responsible for various operating costs. The fair value of the rental has been reflected in donated goods and services in the accompanying financial statements (see Note 2).

The House also has a lease for office equipment that expires in April 2023. The lease was renewed in January 2018 and upon renewal the monthly lease expense was approximately \$225. Lease expense was approximately \$3,400 and \$4,200 for the years ended June 30, 2018 and 2017, respectively, and is included in office supplies and expenses in the accompanying statements of functional expenses. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	
2019	\$ 2,706
2020	\$ 2,706
2021	\$ 2,706
2022	\$ 2,706
2023	\$ 2,255

6. FISCAL AGENT ACTIVITY

The House acts as fiscal agent for the South Boston Summer Collaborative (SBSC) program which runs during the summer months. For the years ended June 30, 2018 and 2017, SBSC received approximately \$113,000 and \$109,000, respectively, in revenue for the program's operations. Since the House acts as fiscal agent for SBSC, these amounts have been excluded from the accompanying financial statements. As of June 30, 2018 and 2017, the House held SBSC cash of \$95,345 and \$60,720, respectively, which is presented as cash - fiscal agent and fiscal agent payable in the accompanying statements of financial position.

7. RETIREMENT PLAN

The House has an IRC Section 401(k) retirement plan that covers all employees who are at least 21 years of age with six or more months of service. Employees may contribute up to 100% of their pay in accordance with IRC limits. The House matches contributions on a discretionary basis as determined by the Board of Directors. Employees vest in their portion of the House's contributions, if any, at the rate of 20% for each year of service beginning after the second year of service. The House's contribution to the plan was \$15,372 and \$15,913 for the years ended June 30, 2018 and 2017, respectively, and is included in fringe benefits in the accompanying statements of functional expenses.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2018 and 2017

8. CONCENTRATION OF CREDIT RISK

The House maintains its cash balances in banks in Massachusetts. At certain times during the year, cash balances exceeded the insured limits of the Federal Deposit Insurance Corporation (FDIC). The House has not experienced any losses in such accounts. The House believes it is not exposed to any significant credit risk on cash.

9. NOTE PAYABLE TO A BANK

The House has a line of credit with a bank which allows for borrowings up to \$100,000 and is renewable annually by the bank. Borrowings under the agreement are due on demand and interest is payable monthly at the bank's prime rate (4.75% and 4% at June 30, 2018 and 2017, respectively), plus 1%. The line of credit is secured by the House's property and certain accounts held with the bank. There was no outstanding balance on the line of credit at June 30, 2018 and 2017. The House must comply with certain covenants. The House was in compliance with these covenants as of June 30, 2018.