



**SOUTH BOSTON
NEIGHBORHOOD HOUSE, INC.**

**FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Contents
June 30, 2019 and 2018

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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, 2019 and 2018, 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

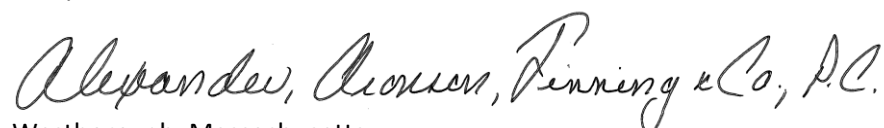
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2019 and 2018, 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.



Westborough, Massachusetts
September 5, 2019

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Statements of Financial Position
June 30, 2019 and 2018

Assets	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Current Assets:						
Cash	\$ 640,460	\$ 65,000	\$ 705,460	\$ 551,860	\$ 82,500	\$ 634,360
Cash - fiscal agent	64,584	-	64,584	95,345	-	95,345
Service contracts and grants receivable	94,221	25,000	119,221	78,525	-	78,525
Prepaid expenses	45,435	-	45,435	44,476	-	44,476
Total current assets	<u>844,700</u>	<u>90,000</u>	<u>934,700</u>	<u>770,206</u>	<u>82,500</u>	<u>852,706</u>
Property and Equipment, net	<u>941,574</u>	-	<u>941,574</u>	<u>960,867</u>	-	<u>960,867</u>
Total assets	<u>\$ 1,786,274</u>	<u>\$ 90,000</u>	<u>\$ 1,876,274</u>	<u>\$ 1,731,073</u>	<u>\$ 82,500</u>	<u>\$ 1,813,573</u>
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 113,543	\$ -	\$ 113,543	\$ 108,118	\$ -	\$ 108,118
Fiscal agent payable	64,584	-	64,584	95,345	-	95,345
Total current liabilities	<u>178,127</u>	-	<u>178,127</u>	<u>203,463</u>	-	<u>203,463</u>
Net Assets:						
Without donor restrictions:						
Operating	658,573	-	658,573	556,743	-	556,743
Property and equipment	941,574	-	941,574	960,867	-	960,867
Board designated	8,000	-	8,000	10,000	-	10,000
Total without donor restrictions	<u>1,608,147</u>	-	<u>1,608,147</u>	<u>1,527,610</u>	-	<u>1,527,610</u>
With donor restrictions	-	90,000	90,000	-	82,500	82,500
Total net assets	<u>1,608,147</u>	<u>90,000</u>	<u>1,698,147</u>	<u>1,527,610</u>	<u>82,500</u>	<u>1,610,110</u>
Total liabilities and net assets	<u>\$ 1,786,274</u>	<u>\$ 90,000</u>	<u>\$ 1,876,274</u>	<u>\$ 1,731,073</u>	<u>\$ 82,500</u>	<u>\$ 1,813,573</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, 2019 and 2018

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Operating Support and Revenue:				
Service contract revenue	\$ 634,414	\$ -	\$ 585,248	\$ -
Fundraising events	570,452	-	388,098	-
Grants and contributions	313,246	50,000	270,151	42,500
Program revenue	323,156	-	352,056	-
Donated goods and services	90,262	-	93,782	-
Other	20,760	-	22,424	-
Net assets released from purpose restrictions	27,500	(27,500)	32,500	(32,500)
Net assets released from time restrictions	15,000	(15,000)	65,500	(65,500)
Total operating support and revenue	<u>1,994,790</u>	<u>7,500</u>	<u>1,809,759</u>	<u>(55,500)</u>
				<u>1,754,259</u>
Operating Expenses:				
Child Care	858,668	-	866,702	-
Elder Services	178,405	-	163,749	-
Education and Career Development	77,125	-	65,640	-
Family Engagement	323,988	-	310,625	-
General and Administrative Development	316,472	-	293,981	-
Total operating expenses	<u>1,973,660</u>	<u>-</u>	<u>1,894,513</u>	<u>-</u>
Changes in net assets from operations	<u>21,130</u>	<u>7,500</u>	<u>(84,754)</u>	<u>(55,500)</u>
				<u>(140,254)</u>
Non-Operating Revenue:				
Capital grants	53,907	-	39,112	-
Gain on sale of property and equipment	5,500	-	-	-
Donated property and equipment	-	-	3,608	-
Total non-operating revenue	<u>59,407</u>	<u>-</u>	<u>42,720</u>	<u>-</u>
Changes in net assets	<u>80,537</u>	<u>7,500</u>	<u>(42,034)</u>	<u>(55,500)</u>
				<u>(97,534)</u>
Net Assets:				
Beginning of year	<u>1,527,610</u>	<u>82,500</u>	<u>1,569,644</u>	<u>138,000</u>
End of year	<u>\$ 1,608,147</u>	<u>\$ 90,000</u>	<u>\$ 1,527,610</u>	<u>\$ 82,500</u>
				<u>\$ 1,610,110</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 88,037	\$ (97,534)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	77,967	69,181
Capital grants	(53,907)	(39,112)
Gain on sale of property and equipment	(5,500)	-
Donated property and equipment	-	(3,608)
Changes in operating assets and liabilities:		
Service contracts and grants receivable	(40,696)	1,659
Prepaid expenses	(959)	(3,745)
Accounts payable and accrued expenses	5,425	(11,501)
Net cash provided by (used in) operating activities	<u>70,367</u>	<u>(84,660)</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(58,674)	(42,256)
Proceeds from sale of property and equipment	5,500	-
Net cash used in investing activities	<u>(53,174)</u>	<u>(42,256)</u>
Cash Flows from Financing Activities:		
Capital grants	53,907	39,112
Net Change in Cash	71,100	(87,804)
Cash:		
Beginning of year	<u>634,360</u>	<u>722,164</u>
End of year	<u>\$ 705,460</u>	<u>\$ 634,360</u>

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2019
(With Summarized Comparative Totals for the Year Ended June 30, 2018)

	2019					2018	
	Program Services			Supporting Services		Total	Total
	Child Care	Elder Services	Education and Career Development	Family Engagement	General and Administrative		
Salaries and Related:							
Salaries	\$ 511,501	\$ 89,421	\$ 40,406	\$ 154,127	\$ 211,492	\$ 132,904	\$ 1,139,851
Payroll taxes	40,951	6,984	3,322	12,047	16,336	10,014	89,654
Fringe benefits	22,794	5,757	788	9,358	12,969	10,701	62,367
Total salaries and related	575,246	102,162	44,516	175,532	240,797	153,619	1,291,872
Other Expenses:							
Program supplies and expenses	93,580	10,861	11,942	98,117	-	-	214,500
Repairs and maintenance	38,699	13,559	5,035	12,475	8,434	4,404	82,606
Depreciation	27,416	19,894	4,095	18,094	5,021	3,447	77,967
Conferences, meetings and training	1,338	45	77	279	2,188	50,583	54,510
Outside services	23,331	5,640	5,413	398	3,613	-	38,395
Van and equipment rental	25,577	7,358	1,827	1,827	-	-	36,589
Utilities	19,621	6,660	1,371	6,057	1,681	1,154	36,544
Insurance	14,929	7,624	1,567	6,935	1,924	1,317	34,296
Professional fees	-	-	-	-	34,285	-	34,285
Miscellaneous	4,481	290	-	115	13,905	1,080	19,871
Rent	15,300	-	-	-	-	-	15,300
Travel and transportation	11,819	540	-	1,305	65	-	13,729
Office supplies and expenses	2,912	2,358	334	1,673	2,431	1,984	11,692
Telephone	4,419	1,414	948	1,181	2,128	1,414	11,504
Total expenses before general and administrative allocation	858,668	178,405	77,125	323,988	316,472	219,002	1,973,660
General and Administrative Allocation	163,978	34,070	14,729	61,872	(316,472)	41,823	-
Total expenses	\$ 1,022,646	\$ 212,475	\$ 91,854	\$ 385,860	\$ -	\$ 260,825	\$ 1,894,513

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, 2018

	Program Services			Supporting Services			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
Payroll taxes	41,202	6,171	2,763	10,914	16,255	8,685	85,990
Fringe benefits	34,151	6,186	581	4,083	3,210	10,145	58,356
Total salaries and related	606,658	92,876	37,668	159,150	219,603	134,181	1,250,136
Other Expenses:							
Program supplies and expenses	94,609	9,474	8,383	103,096	-	-	215,562
Repairs and maintenance	36,884	12,943	4,570	11,804	6,847	5,625	78,673
Depreciation	24,061	17,756	3,655	16,150	4,483	3,076	69,181
Conferences, meetings and training	2,236	316	168	447	2,857	44,764	50,788
Outside services	6,655	6,915	3,450	1,155	750	-	18,925
Van and equipment rental	22,258	7,411	3,755	3,705	-	-	37,129
Utilities	16,069	5,821	1,198	5,295	1,469	1,009	30,861
Insurance	14,234	7,269	1,494	6,612	1,834	1,256	32,699
Professional fees	-	-	-	-	34,705	-	34,705
Miscellaneous	8,883	-	-	175	17,580	844	27,482
Rent	15,300	-	-	-	-	-	15,300
Travel and transportation	12,108	-	-	10	-	-	12,118
Office supplies and expenses	3,860	1,601	382	1,884	1,795	1,694	11,216
Telephone	2,887	1,367	917	1,142	2,058	1,367	9,738
Total expenses before general and administrative allocation	866,702	163,749	65,640	310,625	293,981	193,816	1,894,513
General and Administrative Allocation	159,192	30,077	12,057	57,055	(293,981)	35,600	-
Total expenses	\$ 1,025,894	\$ 193,826	\$ 77,697	\$ 367,680	\$ -	\$ 229,416	\$ 1,894,513

The accompanying notes are an integral part of these statements.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2019 and 2018

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).

Adoption of New Accounting Standard

During 2019, the House adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU modified the current guidance over several criteria, of which the following affected the House's financial statements:

- Net assets are segregated into two categories, "with donor restrictions" and "without donor restrictions", as opposed to the previous requirement of three classes of net assets.
- Qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the statement of financial position date.
- A more detailed explanation of the methods used to allocate costs among program and supporting (general and administrative and development) functions has been included in the notes to the financial statements.

The adoption of this ASU did not impact the House's net assets or cash flows for the year ended June 30, 2019. This ASU has been applied retrospectively to all periods presented. This ASU provides an option to omit the disclosures about liquidity and availability of resources in the 2018 financial statements.

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 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.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

	<u>Estimated Useful Lives</u>	<u>2019</u>	<u>2018</u>
Land	N/A	\$ 100,000	\$ 100,000
Building	40 years	1,298,646	1,298,646
Building improvements	5 - 20 years	501,779	487,711
Furniture and equipment	3 - 5 years	<u>137,475</u>	<u>113,952</u>
		2,037,900	2,000,309
Less - accumulated depreciation		<u>1,096,326</u>	<u>1,039,442</u>
		<u>\$ 941,574</u>	<u>\$ 960,867</u>

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 years 2019 or 2018.

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 revenue and net assets without donor restrictions upon receipt or when unconditionally committed by the donor. Grants and contributions are recorded as revenue and net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Grants and contributions with donor restrictions received and expended as designated in the same fiscal year are reported as grants and contributions without donor restrictions.

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, 2019 and 2018.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The financial statements contain certain categories of expenses that are attributable to program and supporting functions. The expenses which are allocated include salaries, payroll taxes and fringe benefits, which are allocated on the basis of time attributed to each function; and repairs and maintenance, utilities and depreciation, which are allocated based on square footage.

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use. The House has grouped its net assets without donor restrictions 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.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent grants and contributions with the following restrictions as of June 30:

	<u>2019</u>	<u>2018</u>
Revolving loan (see Note 4)	\$ 40,000	\$ 40,000
Purpose restricted	10,000	27,500
Time restricted	<u>40,000</u>	<u>15,000</u>
	<u>\$ 90,000</u>	<u>\$ 82,500</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>2019</u>	<u>2018</u>
Program supplies and expenses	\$ 74,962	\$ 78,482
Rent (see Note 5)	15,300	15,300
Donated property and equipment	<u>-</u>	<u>3,608</u>
	<u>\$ 90,262</u>	<u>\$ 97,390</u>

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through September 5, 2019, 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. 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, 2019 and 2018. The House's information returns are subject to examination by the Federal and state jurisdictions.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2019 and 2018

3. FUNDING

A substantial portion of the House's support and revenue is 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, 2019 and 2018, or on the changes in its net assets for the years then ended.

The House received approximately 23% and 27% of its total operating support and revenue from these government agencies for the years ended June 30, 2019 and 2018, respectively. At June 30, 2019 and 2018, approximately 60% and 43%, respectively, of service contracts and grants receivable were due from these government agencies.

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 net assets with donor restrictions (see Note 2) in the accompanying statements of financial position. Interest income earned on the account is without donor restrictions.

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 requires monthly payments of \$225. Lease expense was approximately \$2,700 and \$3,400 for the years ended June 30, 2019 and 2018, 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>	
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, 2019 and 2018, SBSC received approximately \$95,500 and \$113,000, 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, 2019 and 2018, the House held SBSC cash of \$64,584 and \$95,345, respectively, which is presented as cash - fiscal agent and fiscal agent payable in the accompanying statements of financial position.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2019 and 2018

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 \$27,228 and \$15,372 for the years ended June 30, 2019 and 2018, respectively, and is included in fringe benefits in the accompanying statements of functional expenses.

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 (5.50% and 5.00% at June 30, 2019 and 2018, 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, 2019 and 2018. The House must comply with certain covenants. The House was in compliance with these covenants as of June 30, 2019.

10. CONDITIONAL GRANTS

During fiscal year 2019, the House was awarded a \$100,000 conditional grant, payable in equal installments over a four-year period. The first installment of the grant was received during fiscal year 2019 and is included in grants and contributions in the accompanying statement of activities and changes in net assets. The other three installments are contingent upon certain outcomes as defined in the grant agreement and have not been recorded in the financial statements.

11. RELATED PARTY

During fiscal year 2019, the House received yoga services from one of their Board members valued at approximately \$1,000.

12. LIQUIDITY AND AVAILABILITY OF NET ASSETS

Financial assets available for use by the House within one year from the statement of financial position date for general operating expenses are as follows:

Cash and cash equivalents	\$ 705,460
Service contracts and grants receivable	<u>119,221</u>
	824,681
Less - donor-imposed restrictions	<u>(90,000)</u>
Total financial assets available	<u>\$ 734,681</u>

The House has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2019, the House has financial assets equal to approximately five months of operating expenses.