



**SOUTH BOSTON
NEIGHBORHOOD HOUSE, INC.**

**FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Contents
June 30, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

AAFCPAs, Inc.

Westborough, Massachusetts
September 9, 2020

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Statements of Financial Position
June 30, 2020 and 2019

Assets	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current Assets:						
Cash	\$ 843,952	\$ 113,600	\$ 957,552	\$ 640,460	\$ 65,000	\$ 705,460
Restricted cash	143,628	-	143,628	-	-	-
Cash - fiscal agent	69,264	-	69,264	64,584	-	64,584
Service contracts and grants receivable	161,525	-	161,525	94,221	25,000	119,221
Prepaid expenses	27,178	-	27,178	45,435	-	45,435
Total current assets	<u>1,245,547</u>	<u>113,600</u>	<u>1,359,147</u>	<u>844,700</u>	<u>90,000</u>	<u>934,700</u>
Property and Equipment, net	<u>883,645</u>	<u>-</u>	<u>883,645</u>	<u>941,574</u>	<u>-</u>	<u>941,574</u>
Total assets	<u>\$ 2,129,192</u>	<u>\$ 113,600</u>	<u>\$ 2,242,792</u>	<u>\$ 1,786,274</u>	<u>\$ 90,000</u>	<u>\$ 1,876,274</u>
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 165,412	\$ -	\$ 165,412	\$ 113,543	\$ -	\$ 113,543
Current portion of note payable	91,090	-	91,090	-	-	-
Fiscal agent payable	69,264	-	69,264	64,584	-	64,584
Total current liabilities	<u>325,766</u>	<u>-</u>	<u>325,766</u>	<u>178,127</u>	<u>-</u>	<u>178,127</u>
Note payable, net of current portion	<u>146,100</u>	<u>-</u>	<u>146,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>471,866</u>	<u>-</u>	<u>471,866</u>	<u>178,127</u>	<u>-</u>	<u>178,127</u>
Net Assets:						
Without donor restrictions:						
Operating	767,681	-	767,681	658,573	-	658,573
Property and equipment	883,645	-	883,645	941,574	-	941,574
Board designated	6,000	-	6,000	8,000	-	8,000
Total without donor restrictions	<u>1,657,326</u>	<u>-</u>	<u>1,657,326</u>	<u>1,608,147</u>	<u>-</u>	<u>1,608,147</u>
With donor restrictions	<u>-</u>	<u>113,600</u>	<u>113,600</u>	<u>-</u>	<u>90,000</u>	<u>90,000</u>
Total net assets	<u>1,657,326</u>	<u>113,600</u>	<u>1,770,926</u>	<u>1,608,147</u>	<u>90,000</u>	<u>1,698,147</u>
Total liabilities and net assets	<u>\$ 2,129,192</u>	<u>\$ 113,600</u>	<u>\$ 2,242,792</u>	<u>\$ 1,786,274</u>	<u>\$ 90,000</u>	<u>\$ 1,876,274</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, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue:						
Service contract revenue	\$ 793,990	\$ -	\$ 793,990	\$ 634,414	\$ -	\$ 634,414
Grants and contributions	430,905	73,600	504,505	313,246	50,000	363,246
Fundraising events	470,788	-	470,788	570,452	-	570,452
Program revenue	288,349	-	288,349	323,156	-	323,156
Donated goods and services	140,489	-	140,489	90,262	-	90,262
Other	24,372	-	24,372	20,760	-	20,760
Net assets released from purpose restrictions	10,000	(10,000)	-	27,500	(27,500)	-
Net assets released from time restrictions	40,000	(40,000)	-	15,000	(15,000)	-
Total operating support and revenue	<u>2,198,893</u>	<u>23,600</u>	<u>2,222,493</u>	<u>1,994,790</u>	<u>7,500</u>	<u>2,002,290</u>
Operating Expenses:						
Child Care	1,003,864	-	1,003,864	858,668	-	858,668
Elder Services	183,876	-	183,876	178,405	-	178,405
Education and Career Development	75,859	-	75,859	77,125	-	77,125
Family Engagement	371,159	-	371,159	323,988	-	323,988
General and Administrative	325,437	-	325,437	316,472	-	316,472
Development	213,119	-	213,119	219,002	-	219,002
Total operating expenses	<u>2,173,314</u>	<u>-</u>	<u>2,173,314</u>	<u>1,973,660</u>	<u>-</u>	<u>1,973,660</u>
Changes in net assets from operations	<u>25,579</u>	<u>23,600</u>	<u>49,179</u>	<u>21,130</u>	<u>7,500</u>	<u>28,630</u>
Non-Operating Revenue:						
Capital grants	23,600	-	23,600	53,907	-	53,907
Gain on sale of property and equipment	-	-	-	5,500	-	5,500
Total non-operating revenue	<u>23,600</u>	<u>-</u>	<u>23,600</u>	<u>59,407</u>	<u>-</u>	<u>59,407</u>
Changes in net assets	<u>49,179</u>	<u>23,600</u>	<u>72,779</u>	<u>80,537</u>	<u>7,500</u>	<u>88,037</u>
Net Assets:						
Beginning of year	<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>
End of year	<u>\$ 1,657,326</u>	<u>\$ 113,600</u>	<u>\$ 1,770,926</u>	<u>\$ 1,608,147</u>	<u>\$ 90,000</u>	<u>\$ 1,698,147</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 72,779	\$ 88,037
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	83,779	77,967
Capital grants	(23,600)	(53,907)
Gain on sale of property and equipment	-	(5,500)
Changes in operating assets and liabilities:		
Service contracts and grants receivable	(42,304)	(40,696)
Prepaid expenses	18,257	(959)
Accounts payable and accrued expenses	51,869	5,425
	<u>160,780</u>	<u>70,367</u>
Net cash provided by operating activities		
Cash Flows from Investing Activities:		
Purchase of property and equipment	(25,850)	(58,674)
Proceeds from sale of property and equipment	-	5,500
	<u>(25,850)</u>	<u>(53,174)</u>
Net cash used in investing activities		
Cash Flows from Financing Activities:		
Proceeds from note payable	237,190	-
Capital grants	23,600	53,907
	<u>260,790</u>	<u>53,907</u>
Net cash provided by investing activities		
Net Change in Cash and Restricted Cash	395,720	71,100
Cash and Restricted Cash:		
Beginning of year	<u>705,460</u>	<u>634,360</u>
End of year	<u>\$ 1,101,180</u>	<u>\$ 705,460</u>
Reconciliation of Cash and Restricted Cash Reported Within the Statements of Financial Position:		
Cash	\$ 957,552	\$ 705,460
Restricted cash	<u>143,628</u>	<u>-</u>
Total cash and restricted cash	<u>\$ 1,101,180</u>	<u>\$ 705,460</u>

The accompanying notes are an integral part of these statements.

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SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2020

(With Summarized Comparative Totals for the Year Ended June 30, 2019)

	2020						2019	
	Program Services				Supporting Services		Total	Total
	Child Care	Elder Services	Education and Career Development	Family Engagement	General and Administrative	Development		
Salaries and Related:								
Salaries	\$ 599,946	\$ 96,852	\$ 43,646	\$ 162,404	\$ 211,769	\$ 139,421	\$ 1,254,038	\$ 1,139,851
Payroll taxes	48,780	7,622	3,601	13,494	16,799	10,718	101,014	89,654
Fringe benefits	46,516	1,639	376	7,722	12,920	15,789	84,962	62,367
Total salaries and related	695,242	106,113	47,623	183,620	241,488	165,928	1,440,014	1,291,872
Other Expenses:								
Program supplies and expenses	127,941	16,602	9,407	136,478	-	-	290,428	214,500
Repairs and maintenance	47,641	13,430	4,728	11,679	7,944	4,358	89,780	82,606
Depreciation	32,365	20,233	4,165	18,403	5,107	3,506	83,779	77,967
Outside services	10,284	6,435	4,760	2,316	13,453	-	37,248	38,395
Professional fees	-	-	-	-	36,259	-	36,259	34,285
Conferences, meetings and training	837	110	31	1,334	3,790	28,829	34,931	54,510
Utilities	15,073	5,650	1,163	5,139	1,426	979	29,430	36,544
Insurance	11,907	6,081	1,250	5,531	1,535	1,050	27,354	34,296
Van and equipment rental	18,380	5,252	1,313	1,313	-	-	26,258	36,589
Miscellaneous	3,514	-	70	2,200	10,793	5,989	22,566	19,871
Rent	15,300	-	-	-	-	-	15,300	15,300
Office supplies and expenses	7,687	2,151	377	1,930	1,453	1,021	14,619	11,692
Travel and transportation	12,980	360	-	-	-	-	13,340	13,729
Telephone	4,713	1,459	972	1,216	2,189	1,459	12,008	11,504
Total expenses before general and administrative allocation	1,003,864	183,876	75,859	371,159	325,437	213,119	2,173,314	1,973,660
General and Administrative Allocation	176,795	32,383	13,360	65,366	(325,437)	37,533	-	-
Total expenses	\$ 1,180,659	\$ 216,259	\$ 89,219	\$ 436,525	\$ -	\$ 250,652	\$ 2,173,314	\$ 1,973,660

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services				Supporting Services		Total
	Child Care	Elder Services	Education and Career Development	Family Engagement	General and Administrative	Development	
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
Outside services	23,331	5,640	5,413	398	3,613	-	38,395
Professional fees	-	-	-	-	34,285	-	34,285
Conferences, meetings and training	1,338	45	77	279	2,188	50,583	54,510
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
Van and equipment rental	25,577	7,358	1,827	1,827	-	-	36,589
Miscellaneous	4,481	290	-	115	13,905	1,080	19,871
Rent	15,300	-	-	-	-	-	15,300
Office supplies and expenses	2,912	2,358	334	1,673	2,431	1,984	11,692
Travel and transportation	11,819	540	-	1,305	65	-	13,729
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	\$ 1,973,660

The accompanying notes are an integral part of these statements.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2020 and 2019

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 fiscal year 2020, the House adopted FASB's Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU amends the presentation of restricted cash within the statements of cash flows. The new guidance requires that restricted cash be added to cash for purposes of the statements of cash flows. This ASU has been applied retrospectively to all periods presented. The adoption of ASU 2016-18 did not result in any changes to the House's cash flow classification for the year ended June 30, 2019.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and requires the reporting entity to recognize revenues when control of promised goods or services is transferred to customers and at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. On July 1, 2019, the House adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of July 1, 2019 (the practical expedient elected). Results for reporting periods beginning after July 1, 2019, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the House's historic accounting under Topic 605. There were no material changes in the timing of recognition of revenue and, therefore, there was no adjustment to the opening balance of net assets as a result of adopting Topic 606.

During fiscal year 2020, the House also adopted FASB's ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The House adopted ASU 2018-08 using a modified prospective method effective July 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of July 1, 2019. As a result, the fiscal year 2019 financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of July 1, 2019.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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>2020</u>	<u>2019</u>
Land	N/A	\$ 100,000	\$ 100,000
Building	40 years	1,298,646	1,298,646
Building improvements	5 - 20 years	522,029	501,779
Furniture and equipment	3 - 5 years	<u>143,075</u>	<u>137,475</u>
		2,063,750	2,037,900
Less - accumulated depreciation		<u>1,180,105</u>	<u>1,096,326</u>
		<u>\$ 883,645</u>	<u>\$ 941,574</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 year 2020 or 2019.

Cash and Restricted Cash

For purposes of the statements of cash flows, cash consists of checking and savings accounts and restricted cash, which includes unspent Paycheck Protection Program Loan proceeds (see Note 12) and does not include cash - fiscal agent (see Note 6).

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, the House must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the House should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. See Note 10 for conditional grants at June 30, 2020. For contributions that have been recognized prior to adoption of Topic 958, the standard is not required to be retrospectively applied.

A portion of the House's revenue is derived from cost-reimbursable government contracts and grants (service contract revenue), which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the House has incurred expenditures in compliance with specific contract or grant provisions. These contracts and grants are considered nonreciprocal transactions because the House's community and customers receive the benefit as a result of the assets transferred.

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.

In accordance with Topic 606, fundraising events ticket sales revenue is recognized in the period in which the event takes place. Fundraising events ticket sales revenue received in advance is recorded as deferred revenue (contract liability) until the event takes place. Fundraising events income is derived from various components, including ticket sales from the House's events held in which the transaction price is determined annually. In accordance with Topic 958, fundraising event contributions without donor restrictions are recognized as revenue when unconditionally committed or received. Included in fundraising events at June 30, 2020 and 2019, is \$355,800 and \$18,060, respectively, of fundraising event contributions.

Program revenue primarily consists of amounts received for early education and childcare and are typically paid monthly in advance. Program revenue is generally recognized over the program duration as the related services are provided. Program revenue paid to the House in advance is recorded as deferred revenue in the accompanying statements of financial position. Amounts billed but unpaid are recorded as accounts receivable in the accompanying statements of financial position.

The House records all other income as it is earned.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020 and 2019.

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 that 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>2020</u>	<u>2019</u>
Revolving loan (see Note 4)	\$ 40,000	\$ 40,000
Purpose restricted	23,600	10,000
Time restricted	<u>50,000</u>	<u>40,000</u>
	<u>\$ 113,600</u>	<u>\$ 90,000</u>

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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>2020</u>	<u>2019</u>
Program supplies and expenses	\$ 125,189	\$ 74,962
Rent (see Note 5)	<u>15,300</u>	<u>15,300</u>
	<u>\$ 140,489</u>	<u>\$ 90,262</u>

Subsequent Events

Subsequent events have been evaluated through September 9, 2020, 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. All qualifying assets and liabilities are valued using Level 1 inputs.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020 and 2019. 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 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, 2020 and 2019, or on the changes in its net assets for the years then ended.

The House received approximately 28% and 23% of its total operating support and revenue from these government agencies for the years ended June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, approximately 61% and 60%, 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 for the years ended June 30, 2020 and 2019, 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>	
2021	\$ 2,706
2022	2,706
2023	<u>2,255</u>
	<u>\$ 7,667</u>

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
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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, 2020 and 2019, SBSC received approximately \$95,400 and \$95,500, respectively, of funds 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, 2020 and 2019, the House held SBSC cash of \$69,264 and \$64,584, 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 \$16,671 and \$27,228 for the years ended June 30, 2020 and 2019, 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 (3.25% and 5.50% at June 30, 2020 and 2019, 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, 2020 and 2019. The House must comply with certain covenants. The House was in compliance with these covenants as of June 30, 2020.

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 and second installments of the grant were received during fiscal years 2020 and 2019 and are included in grants and contributions in the accompanying statements of activities and changes in net assets. The final two installments are contingent upon certain outcomes as defined in the grant agreement and have not been recorded in the accompanying financial statements.

11. RELATED PARTY

During fiscal years 2020 and 2019, the House received yoga services from one of their Board members valued at approximately \$640 and \$1,000, respectively.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
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12. NOTE PAYABLE

The House applied for and was awarded a forgivable loan of \$237,190 from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The funds will be used to pay certain payroll costs, including benefits as well as rent and utilities during a twenty-four-week period (the covered period) as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. Any repayment will be deferred until December 21, 2020, when the note, plus interest, will be due in equal monthly payments through May 21, 2022. There are no covenants to comply with and the note is unsecured. There was no accrued interest recorded on the note payable as of June 30, 2020, as the amount is immaterial to the accompanying financial statements.

13. LIQUIDITY AND AVAILABILITY OF NET ASSETS

Financial assets available for use by the House within one year from the statements of financial position date for general operating expenses are as follows at June 30:

	<u>2020</u>	<u>2019</u>
Cash and restricted cash	\$ 1,101,180	\$ 705,460
Service contracts and grants receivable	<u>161,525</u>	<u>119,221</u>
	1,262,705	824,681
Less - donor-imposed restrictions	<u>(113,600)</u>	<u>(90,000)</u>
Total financial assets available	<u>\$ 1,149,105</u>	<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, 2020 and 2019, the House has financial assets equal to approximately seven and five months of operating expense, respectively.

14. CONTINGENCY

During fiscal year 2020, COVID-19 was recognized as a global pandemic. The impact of COVID-19 on the House's future operations and the demand for its products/services will depend upon, among other things, the duration, spread and intensity of the pandemic, related government responses such as required physical distancing, restrictions on business operations and travel, the pace of recovery of economic activity, and the impact to consumers, all of which are uncertain and impossible to predict. The financial impact to the House, if any, cannot be reasonably estimated at this time.