



**SOUTH BOSTON
NEIGHBORHOOD HOUSE, INC.**

**FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Contents
June 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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
October 19, 2021

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Statements of Financial Position
June 30, 2021 and 2020

Assets	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Current Assets:						
Cash	\$ 1,092,472	\$ 151,875	\$ 1,244,347	\$ 987,580	\$ 113,600	\$ 1,101,180
Cash - fiscal agent	68,744	-	68,744	69,264	-	69,264
Service contracts and grants receivable	142,784	-	142,784	161,525	-	161,525
Prepaid expenses	41,642	-	41,642	27,178	-	27,178
Total current assets	<u>1,345,642</u>	<u>151,875</u>	<u>1,497,517</u>	<u>1,245,547</u>	<u>113,600</u>	<u>1,359,147</u>
Property and Equipment, net	<u>801,729</u>	<u>-</u>	<u>801,729</u>	<u>883,645</u>	<u>-</u>	<u>883,645</u>
Total assets	<u><u>\$ 2,147,371</u></u>	<u><u>\$ 151,875</u></u>	<u><u>\$ 2,299,246</u></u>	<u><u>\$ 2,129,192</u></u>	<u><u>\$ 113,600</u></u>	<u><u>\$ 2,242,792</u></u>
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 154,511	\$ -	\$ 154,511	\$ 165,412	\$ -	\$ 165,412
Fiscal agent payable	68,744	-	68,744	69,264	-	69,264
Total current liabilities	<u>223,255</u>	<u>-</u>	<u>223,255</u>	<u>234,676</u>	<u>-</u>	<u>234,676</u>
Note Payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>237,190</u>	<u>-</u>	<u>237,190</u>
Total liabilities	<u>223,255</u>	<u>-</u>	<u>223,255</u>	<u>471,866</u>	<u>-</u>	<u>471,866</u>
Net Assets:						
Without donor restrictions:						
Operating	1,118,387	-	1,118,387	767,681	-	767,681
Property and equipment	801,729	-	801,729	883,645	-	883,645
Board designated	4,000	-	4,000	6,000	-	6,000
Total without donor restrictions	<u>1,924,116</u>	<u>-</u>	<u>1,924,116</u>	<u>1,657,326</u>	<u>-</u>	<u>1,657,326</u>
With donor restrictions	<u>-</u>	<u>151,875</u>	<u>151,875</u>	<u>-</u>	<u>113,600</u>	<u>113,600</u>
Total net assets	<u>1,924,116</u>	<u>151,875</u>	<u>2,075,991</u>	<u>1,657,326</u>	<u>113,600</u>	<u>1,770,926</u>
Total liabilities and net assets	<u><u>\$ 2,147,371</u></u>	<u><u>\$ 151,875</u></u>	<u><u>\$ 2,299,246</u></u>	<u><u>\$ 2,129,192</u></u>	<u><u>\$ 113,600</u></u>	<u><u>\$ 2,242,792</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, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue:						
Service contract revenue	\$ 924,657	\$ -	\$ 924,657	\$ 793,990	\$ -	\$ 793,990
Grants and contributions	557,642	111,875	669,517	430,905	73,600	504,505
Fundraising events	383,191	-	383,191	470,788	-	470,788
Program revenue	182,676	-	182,676	288,349	-	288,349
Donated goods and services	58,250	-	58,250	140,489	-	140,489
Other	21,352	-	21,352	24,372	-	24,372
Net assets released from purpose restrictions	23,600	(23,600)	-	10,000	(10,000)	-
Net assets released from time restrictions	50,000	(50,000)	-	40,000	(40,000)	-
Total operating support and revenue	<u>2,201,368</u>	<u>38,275</u>	<u>2,239,643</u>	<u>2,198,893</u>	<u>23,600</u>	<u>2,222,493</u>
Operating Expenses:						
Child Care	1,089,040	-	1,089,040	1,003,864	-	1,003,864
Elder Services	199,266	-	199,266	183,876	-	183,876
Education and Career Development	85,138	-	85,138	75,859	-	75,859
Family Engagement	268,919	-	268,919	371,159	-	371,159
General and Administrative	311,836	-	311,836	325,437	-	325,437
Development	217,569	-	217,569	213,119	-	213,119
Total operating expenses	<u>2,171,768</u>	<u>-</u>	<u>2,171,768</u>	<u>2,173,314</u>	<u>-</u>	<u>2,173,314</u>
Changes in net assets from operations	<u>29,600</u>	<u>38,275</u>	<u>67,875</u>	<u>25,579</u>	<u>23,600</u>	<u>49,179</u>
Non-Operating Revenue:						
Forgiveness of debt	237,190	-	237,190	-	-	-
Capital grants	-	-	-	23,600	-	23,600
Total non-operating revenue	<u>237,190</u>	<u>-</u>	<u>237,190</u>	<u>23,600</u>	<u>-</u>	<u>23,600</u>
Changes in net assets	266,790	38,275	305,065	49,179	23,600	72,779
Net Assets:						
Beginning 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>
End of year	<u>\$ 1,924,116</u>	<u>\$ 151,875</u>	<u>\$ 2,075,991</u>	<u>\$ 1,657,326</u>	<u>\$ 113,600</u>	<u>\$ 1,770,926</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 305,065	\$ 72,779
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	81,916	83,779
Capital grants	-	(23,600)
Forgiveness of debt	(237,190)	-
Changes in operating assets and liabilities:		
Service contracts and grants receivable	18,741	(42,304)
Prepaid expenses	(14,464)	18,257
Accounts payable and accrued expenses	(10,901)	51,869
	<u>143,167</u>	<u>160,780</u>
Net cash provided by operating activities		
Cash Flows from Investing Activities:		
Purchase of property and equipment	-	(25,850)
Cash Flows from Financing Activities:		
Proceeds from note payable	-	237,190
Capital grants	-	23,600
	<u>-</u>	<u>260,790</u>
Net cash provided by investing activities		
Net Change in Cash	143,167	395,720
Cash:		
Beginning of year	<u>1,101,180</u>	<u>705,460</u>
End of year	<u>\$ 1,244,347</u>	<u>\$ 1,101,180</u>

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2021

(With Summarized Comparative Totals for the Year Ended June 30, 2020)

	2021						2020	
	Program Services				Supporting Services		Total	Total
	Child Care	Elder Services	Education and Career Development	Family Engagement	General and Administrative	Development		
Salaries and Related:								
Salaries	\$ 702,452	\$ 109,950	\$ 51,859	\$ 119,345	\$ 216,113	\$ 146,037	\$ 1,345,756	\$ 1,254,038
Payroll taxes	56,323	8,722	4,271	9,680	17,395	11,225	107,616	101,014
Fringe benefits	32,029	8,100	671	11,734	5,004	20,073	77,611	84,962
Total salaries and related	790,804	126,772	56,801	140,759	238,512	177,335	1,530,983	1,440,014
Other Expenses:								
Program supplies and expenses	95,782	9,619	10,299	76,781	-	-	192,481	290,428
Repairs and maintenance	47,108	19,415	5,133	12,833	6,214	7,075	97,778	89,780
Depreciation	32,497	18,885	4,224	18,031	4,909	3,370	81,916	83,779
Rent	51,000	-	-	-	-	-	51,000	15,301
Professional fees	-	-	-	-	42,969	-	42,969	36,259
Insurance	15,364	7,617	1,705	7,271	1,980	1,359	35,296	27,354
Utilities	16,118	5,700	1,275	5,442	1,481	1,017	31,033	29,430
Conferences, meetings and training	2,821	380	95	744	1,105	20,691	25,836	34,931
Van and equipment rental	17,615	2,516	3,786	1,258	-	-	25,175	26,258
Outside services	8,030	3,460	-	2,750	2,800	-	17,040	37,248
Miscellaneous	3,657	-	-	300	7,144	4,039	15,140	22,565
Office supplies and expenses	3,373	3,375	796	1,475	2,423	1,156	12,598	14,619
Telephone	4,871	1,527	1,024	1,275	2,299	1,527	12,523	12,008
Travel and transportation	-	-	-	-	-	-	-	13,340
Total expenses before general and administrative allocation	1,089,040	199,266	85,138	268,919	311,836	217,569	2,171,768	2,173,314
General and Administrative Allocation	182,588	33,409	14,274	45,087	(311,836)	36,478	-	-
Total expenses	<u>\$ 1,271,628</u>	<u>\$ 232,675</u>	<u>\$ 99,412</u>	<u>\$ 314,006</u>	<u>\$ -</u>	<u>\$ 254,047</u>	<u>\$ 2,171,768</u>	<u>\$ 2,173,314</u>

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Services				Supporting Services		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
Payroll taxes	48,780	7,622	3,601	13,494	16,799	10,718	101,014
Fringe benefits	46,516	1,639	376	7,722	12,920	15,789	84,962
Total salaries and related	695,242	106,113	47,623	183,620	241,488	165,928	1,440,014
Other Expenses:							
Program supplies and expenses	127,941	16,602	9,407	136,478	-	-	290,428
Repairs and maintenance	47,641	13,430	4,728	11,679	7,944	4,358	89,780
Depreciation	32,365	20,233	4,165	18,403	5,107	3,506	83,779
Rent	15,301	-	-	-	-	-	15,301
Professional fees	-	-	-	-	36,259	-	36,259
Insurance	11,907	6,081	1,250	5,531	1,535	1,050	27,354
Utilities	15,073	5,650	1,163	5,139	1,426	979	29,430
Conferences, meetings and training	837	110	31	1,334	3,790	28,829	34,931
Van and equipment rental	18,380	5,252	1,313	1,313	-	-	26,258
Outside services	10,284	6,435	4,760	2,316	13,453	-	37,248
Miscellaneous	3,513	-	70	2,200	10,793	5,989	22,565
Office supplies and expenses	7,687	2,151	377	1,930	1,453	1,021	14,619
Telephone	4,713	1,459	972	1,216	2,189	1,459	12,008
Travel and transportation	12,980	360	-	-	-	-	13,340
Total expenses before general and administrative allocation	1,003,864	183,876	75,859	371,159	325,437	213,119	2,173,314
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

The accompanying notes are an integral part of these statements.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2021 and 2020

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).

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).

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, 2021 and 2020.

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	2021	2020
Land	N/A	\$ 100,000	\$ 100,000
Building	40 years	1,298,646	1,298,646
Building improvements	5 - 20 years	515,879	522,029
Furniture and equipment	3 - 5 years	128,993	143,075
		<u>2,043,518</u>	<u>2,063,750</u>
Less - accumulated depreciation		<u>1,241,789</u>	<u>1,180,105</u>
		<u>\$ 801,729</u>	<u>\$ 883,645</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 2021 or 2020.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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>2021</u>	<u>2020</u>
Time restricted	\$ 111,875	\$ 50,000
Revolving loan (see Note 4)	40,000	40,000
Purpose restricted	<u>-</u>	<u>23,600</u>
	<u>\$ 151,875</u>	<u>\$ 113,600</u>

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 and forgiveness of debt.

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. ASC 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 as of June 30, 2021 and 2020.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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 ASC 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 ASC Topic 958, fundraising event contributions without donor restrictions are recognized as revenue when unconditionally committed or received. Included in fundraising events at June 30, 2021 and 2020, is \$340,448 and \$355,800, respectively, of fundraising event contributions.

Program revenue primarily consists of amounts received for early education and childcare services 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.

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.

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.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2021 and 2020

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>2021</u>	<u>2020</u>
Rent (see Note 5)	\$ 51,000	\$ 15,300
Program supplies and expenses	<u>7,250</u>	<u>125,189</u>
	<u>\$ 58,250</u>	<u>\$ 140,489</u>

Subsequent Events

Subsequent events have been evaluated through October 19, 2021, 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, 2021 and 2020

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, 2021 and 2020. 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, 2021 and 2020, or on the changes in its net assets for the years then ended.

The House received approximately 35% and 29% of its total operating support and revenue from these government agencies for the years ended June 30, 2021 and 2020, respectively. At June 30, 2021 and 2020, approximately 63% and 61%, 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, 2021 and 2020, 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>	
2022	\$ 2,706
2023	<u>2,255</u>
	<u>\$ 4,961</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, 2021 and 2020, SBSC received approximately \$54,500 and \$95,400, 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, 2021 and 2020, the House held SBSC cash of \$68,744 and \$69,264, 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 \$17,482 and \$16,671 for the years ended June 30, 2021 and 2020, 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% at June 30, 2021 and 2020), 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, 2021 and 2020. The House must comply with certain covenants. The House was in compliance with these covenants as of June 30, 2021 and 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 second and third installments of the grant were received during fiscal years 2021 and 2020, respectively, and are included in grants and contributions in the accompanying statements of activities and changes in net assets. The final installment is contingent upon certain outcomes as defined in the grant agreement and has not been recorded in the accompanying financial statements.

The House also has received grant commitments from various government and other agencies to fund qualifying costs and services through fiscal year 2022. These commitments are considered conditional under ASC Topic 958, as the House must incur qualified costs or meet performance requirements prior to recognizing revenue. Total grants committed but not recognized as of June 30, 2021 totaled approximately \$659,000.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

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11. RELATED PARTY

During fiscal year 2020, the House received yoga services from one of their Board members valued at approximately \$640. The House did not receive such service in fiscal year 2021.

12. NOTE PAYABLE

During fiscal year 2020, 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) through a bank. The funds were used to pay certain payroll costs, including benefits, as well as rent and utilities during the covered period as defined in the CARES Act. There were no covenants with which to comply and the note was not secured by any collateral. There was no accrued interest recorded on the note payable as of June 30, 2020, as it would be immaterial to the accompanying financial statements.

During fiscal year 2021, the House submitted the application for forgiveness and was notified that it had been legally released from the entire obligation, which has been reflected as forgiveness of debt in the accompanying statement of activities and changes in net assets for the year ended June 30, 2021.

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>2021</u>	<u>2020</u>
Cash	\$ 1,244,347	\$ 1,101,180
Service contracts and grants receivable	<u>142,784</u>	<u>161,525</u>
	1,387,131	1,262,705
Less - donor-imposed restrictions	<u>(151,875)</u>	<u>(113,600)</u>
Total financial assets available	<u>\$ 1,235,256</u>	<u>\$ 1,149,105</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, 2021 and 2020, the House has financial assets equal to approximately seven months of operating expense.

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.

15. RECLASSIFICATIONS

Certain amounts in the fiscal year 2020 financial statements have been reclassified to conform to the fiscal year 2021 presentation.