



**SOUTH BOSTON  
NEIGHBORHOOD HOUSE, INC.**

**FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.**

Contents  
June 30, 2022 and 2021

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## Independent Auditor's Report

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of South Boston Neighborhood House, Inc. (a Massachusetts corporation, not for profit) (the House) which comprise the statements of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of South Boston Neighborhood House, Inc. as of June 30, 2022 and 2021, 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.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the House and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the House's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

***Auditor's Responsibilities for the Audit of the Financial Statements*** (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 House's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the House's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*AAFCPA, Inc.*

Westborough, Massachusetts  
September 13, 2022

**SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.**

Statements of Financial Position  
June 30, 2022 and 2021

Assets	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Current Assets:						
Cash	\$ 1,405,187	\$ 127,250	\$ 1,532,437	\$ 1,092,472	\$ 151,875	\$ 1,244,347
Cash - fiscal agent	130,300	-	130,300	68,744	-	68,744
Service contracts and grants receivable	197,317	-	197,317	142,784	-	142,784
Prepaid expenses	39,276	-	39,276	41,642	-	41,642
Total current assets	<u>1,772,080</u>	<u>127,250</u>	<u>1,899,330</u>	<u>1,345,642</u>	<u>151,875</u>	<u>1,497,517</u>
Property and Equipment, net	<u>875,613</u>	<u>-</u>	<u>875,613</u>	<u>801,729</u>	<u>-</u>	<u>801,729</u>
Total assets	<u>\$ 2,647,693</u>	<u>\$ 127,250</u>	<u>\$ 2,774,943</u>	<u>\$ 2,147,371</u>	<u>\$ 151,875</u>	<u>\$ 2,299,246</u>
<b>Liabilities and Net Assets</b>						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 103,889	\$ -	\$ 103,889	\$ 154,511	\$ -	\$ 154,511
Conditional advance	66,205	-	66,205	-	-	-
Fiscal agent payable	130,300	-	130,300	68,744	-	68,744
Total current liabilities	<u>300,394</u>	<u>-</u>	<u>300,394</u>	<u>223,255</u>	<u>-</u>	<u>223,255</u>
Net Assets:						
Without donor restrictions:						
Operating	1,469,686	-	1,469,686	1,118,387	-	1,118,387
Property and equipment	875,613	-	875,613	801,729	-	801,729
Board designated	2,000	-	2,000	4,000	-	4,000
Total without donor restrictions	<u>2,347,299</u>	<u>-</u>	<u>2,347,299</u>	<u>1,924,116</u>	<u>-</u>	<u>1,924,116</u>
With donor restrictions	<u>-</u>	<u>127,250</u>	<u>127,250</u>	<u>-</u>	<u>151,875</u>	<u>151,875</u>
Total net assets	<u>2,347,299</u>	<u>127,250</u>	<u>2,474,549</u>	<u>1,924,116</u>	<u>151,875</u>	<u>2,075,991</u>
Total liabilities and net assets	<u>\$ 2,647,693</u>	<u>\$ 127,250</u>	<u>\$ 2,774,943</u>	<u>\$ 2,147,371</u>	<u>\$ 151,875</u>	<u>\$ 2,299,246</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, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Support and Revenue:</b>						
Service contract revenue	\$ 1,098,642	\$ -	\$ 1,098,642	\$ 924,657	\$ -	\$ 924,657
Grants and contributions	697,041	87,250	784,291	557,642	111,875	669,517
Fundraising events	552,258	-	552,258	383,191	-	383,191
Program revenue	320,961	-	320,961	182,676	-	182,676
Donated goods and services	131,598	-	131,598	58,250	-	58,250
Other	25,186	-	25,186	21,352	-	21,352
Net assets released from purpose restrictions	-	-	-	23,600	(23,600)	-
Net assets released from time restrictions	111,875	(111,875)	-	50,000	(50,000)	-
Total operating support and revenue	<u>2,937,561</u>	<u>(24,625)</u>	<u>2,912,936</u>	<u>2,201,368</u>	<u>38,275</u>	<u>2,239,643</u>
<b>Operating Expenses:</b>						
Program services:						
Child Care	1,113,792	-	1,113,792	1,089,040	-	1,089,040
Elder Services	313,244	-	313,244	199,266	-	199,266
Education and Career Development	119,634	-	119,634	85,138	-	85,138
Family Engagement	526,539	-	526,539	268,919	-	268,919
Total program services	<u>2,073,209</u>	<u>-</u>	<u>2,073,209</u>	<u>1,642,363</u>	<u>-</u>	<u>1,642,363</u>
Supporting services:						
General and Administrative	327,138	-	327,138	311,836	-	311,836
Development	273,692	-	273,692	217,569	-	217,569
Total supporting services	<u>600,830</u>	<u>-</u>	<u>600,830</u>	<u>529,405</u>	<u>-</u>	<u>529,405</u>
Total operating expenses	<u>2,674,039</u>	<u>-</u>	<u>2,674,039</u>	<u>2,171,768</u>	<u>-</u>	<u>2,171,768</u>
Changes in net assets from operations	<u>263,522</u>	<u>(24,625)</u>	<u>238,897</u>	<u>29,600</u>	<u>38,275</u>	<u>67,875</u>
<b>Non-Operating Revenue:</b>						
Capital grants	93,805	-	93,805	-	-	-
Donated property and equipment	75,090	-	75,090	-	-	-
Forgiveness of debt	-	-	-	237,190	-	237,190
Loss on disposal of property and equipment	(9,234)	-	(9,234)	-	-	-
Total non-operating revenue	<u>159,661</u>	<u>-</u>	<u>159,661</u>	<u>237,190</u>	<u>-</u>	<u>237,190</u>
Changes in net assets	423,183	(24,625)	398,558	266,790	38,275	305,065
<b>Net Assets:</b>						
Beginning 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>
End of year	<u>\$ 2,347,299</u>	<u>\$ 127,250</u>	<u>\$ 2,474,549</u>	<u>\$ 1,924,116</u>	<u>\$ 151,875</u>	<u>\$ 2,075,991</u>

**SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.**

## Statements of Cash Flows

For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 398,558	\$ 305,065
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	85,442	81,916
Loss on disposal of property and equipment	9,234	-
Capital grants	(93,805)	-
Donated property and equipment	(75,090)	-
Forgiveness of debt	-	(237,190)
Changes in operating assets and liabilities:		
Service contracts and grants receivable	(54,533)	18,741
Prepaid expenses	2,366	(14,464)
Accounts payable and accrued expenses	(50,622)	(10,901)
Conditional advance	66,205	-
Net cash provided by operating activities	287,755	143,167
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	(93,470)	-
<b>Cash Flows from Financing Activities:</b>		
Capital grants	93,805	-
<b>Net Change in Cash</b>	288,090	143,167
<b>Cash:</b>		
Beginning of year	1,244,347	1,101,180
End of year	<u>\$ 1,532,437</u>	<u>\$ 1,244,347</u>

**SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.**

Statement of Functional Expenses

For the Year Ended June 30, 2022

(With Summarized Comparative Totals for the Year Ended June 30, 2021)

	2022								2021	
	Program Services				Total Program Services	Supporting Services			Total	
	Child Care	Elder Services	Education and Career Development	Family Engagement		General and Adminis- trative	Development	Total Supporting Services		
<b>Salaries and Related:</b>										
Salaries	\$ 746,546	\$ 173,997	\$ 60,951	\$ 201,166	\$ 1,182,660	\$ 224,626	\$ 144,215	\$ 368,841	\$ 1,551,501	\$ 1,345,756
Payroll taxes	60,223	13,949	4,981	16,262	95,415	18,023	11,062	29,085	124,500	107,616
Fringe benefits	9,282	8,086	1,070	20	18,458	8,146	18,671	26,817	45,275	77,611
Total salaries and related	816,051	196,032	67,002	217,448	1,296,533	250,795	173,948	424,743	1,721,276	1,530,983
<b>Other Expenses:</b>										
Program supplies and expenses	91,956	27,734	19,952	254,030	393,672	-	-	-	393,672	192,481
Repairs and maintenance	50,287	17,336	4,980	11,099	83,702	6,748	6,062	12,810	96,512	97,778
Depreciation	35,307	19,159	4,286	18,292	77,044	4,980	3,418	8,398	85,442	81,916
Conferences, meetings and training	638	-	109	64	811	1,454	79,686	81,140	81,951	25,836
Rent	51,000	-	-	-	51,000	-	-	-	51,000	51,000
Insurance	18,507	9,175	2,053	8,758	38,493	2,385	1,637	4,022	42,515	35,296
Professional fees	-	-	-	-	-	39,253	-	39,253	39,253	42,969
Outside services	3,730	16,552	9,950	2,900	33,132	3,815	-	3,815	36,947	17,040
Utilities	17,056	5,428	1,214	5,182	28,880	1,411	968	2,379	31,259	31,033
Van and equipment rental	13,556	5,417	5,417	2,708	27,098	-	-	-	27,098	25,175
Miscellaneous	4,774	488	526	1,541	7,329	11,843	4,689	16,532	23,861	15,140
Travel and transportation	2,061	11,367	2,391	-	15,819	-	-	-	15,819	-
Office supplies and expenses	4,165	2,932	665	3,160	10,922	2,008	1,660	3,668	14,590	12,598
Telephone	4,704	1,624	1,089	1,357	8,774	2,446	1,624	4,070	12,844	12,523
Total expenses before general and administrative allocation	1,113,792	313,244	119,634	526,539	2,073,209	327,138	273,692	600,830	2,674,039	2,171,768
<b>General and Administrative Allocation</b>	155,253	43,664	16,676	73,395	288,988	(327,138)	38,150	(288,988)	-	-
Total expenses	\$ 1,269,045	\$ 356,908	\$ 136,310	\$ 599,934	\$ 2,362,197	\$ -	\$ 311,842	\$ 311,842	\$ 2,674,039	\$ 2,171,768



**SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.**

Statement of Functional Expenses  
For the Year Ended June 30, 2021

	Program Services					Supporting Services			Total
	Child Care	Elder Services	Education and Career Development	Family Engagement	Total Program Services	General and Administrative	Development	Total Supporting Services	
<b>Salaries and Related:</b>									
Salaries	\$ 702,452	\$ 109,950	\$ 51,859	\$ 119,345	\$ 983,606	\$ 216,113	\$ 146,037	\$ 362,150	\$ 1,345,756
Payroll taxes	56,323	8,722	4,271	9,680	78,996	17,395	11,225	28,620	107,616
Fringe benefits	32,029	8,100	671	11,734	52,534	5,004	20,073	25,077	77,611
Total salaries and related	790,804	126,772	56,801	140,759	1,115,136	238,512	177,335	415,847	1,530,983
<b>Other Expenses:</b>									
Program supplies and expenses	95,782	9,619	10,299	76,781	192,481	-	-	-	192,481
Repairs and maintenance	47,108	19,415	5,133	12,833	84,489	6,214	7,075	13,289	97,778
Depreciation	32,497	18,885	4,224	18,031	73,637	4,909	3,370	8,279	81,916
Conferences, meetings and training	2,821	380	95	744	4,040	1,105	20,691	21,796	25,836
Rent	51,000	-	-	-	51,000	-	-	-	51,000
Insurance	15,364	7,617	1,705	7,271	31,957	1,980	1,359	3,339	35,296
Professional fees	-	-	-	-	-	42,969	-	42,969	42,969
Outside services	8,030	3,460	-	2,750	14,240	2,800	-	2,800	17,040
Utilities	16,118	5,700	1,275	5,442	28,535	1,481	1,017	2,498	31,033
Van and equipment rental	17,615	2,516	3,786	1,258	25,175	-	-	-	25,175
Miscellaneous	3,657	-	-	300	3,957	7,144	4,039	11,183	15,140
Office supplies and expenses	3,373	3,375	796	1,475	9,019	2,423	1,156	3,579	12,598
Telephone	4,871	1,527	1,024	1,275	8,697	2,299	1,527	3,826	12,523
Total expenses before general and administrative allocation	1,089,040	199,266	85,138	268,919	1,642,363	311,836	217,569	529,405	2,171,768
<b>General and Administrative Allocation</b>	182,588	33,409	14,274	45,087	275,358	(311,836)	36,478	(275,358)	-
Total expenses	<u>\$ 1,271,628</u>	<u>\$ 232,675</u>	<u>\$ 99,412</u>	<u>\$ 314,006</u>	<u>\$ 1,917,721</u>	<u>\$ -</u>	<u>\$ 254,047</u>	<u>\$ 254,047</u>	<u>\$ 2,171,768</u>

## **SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.**

Notes to Financial Statements  
June 30, 2022 and 2021

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### **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).

#### **Accounting Principle Adoption**

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is intended to increase the transparency of contributed nonfinancial assets (donated goods and services) for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this ASU do not change the recognition and measurement requirements of donated goods and services. During fiscal year 2022, the House adopted ASU 2020-07. The adoption of this ASU did not impact the House's net asset classes, changes in net assets, or cash flows for the year ended June 30, 2022. This ASU has been applied retrospectively to all periods presented.

#### **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.

#### **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, 2022 and 2021.

#### **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.

## SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements  
June 30, 2022 and 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property and Equipment and Depreciation (Continued)

Construction in progress assets are not depreciated until the assets are placed in service. 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>2022</u>	<u>2021</u>
Land	N/A	\$ 100,000	\$ 100,000
Building	40 years	1,298,646	1,298,646
Building improvements	5 - 20 years	603,268	515,879
Furniture and equipment	3 - 5 years	132,277	128,993
Construction in progress		<u>48,000</u>	<u>-</u>
		2,182,191	2,043,518
Less - accumulated depreciation		<u>1,306,578</u>	<u>1,241,789</u>
		<u>\$ 875,613</u>	<u>\$ 801,729</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 2022 or 2021.

Construction in progress at June 30, 2022, includes \$25,000 for window replacements and \$23,000 for security upgrades and door replacements. These projects are expected to be completed during fiscal year 2023, at which time they will be placed into service and depreciated.

#### 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>2022</u>	<u>2021</u>
Time restricted	\$ 87,250	\$ 111,875
Revolving loan (see Note 4)	<u>40,000</u>	<u>40,000</u>
	<u>\$ 127,250</u>	<u>\$ 151,875</u>

## **SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.**

Notes to Financial Statements  
June 30, 2022 and 2021

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### **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 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 disclosure of conditional grants.

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 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, 2022 and 2021, is \$399,935 and \$340,448, respectively, of fundraising event contributions and \$152,323 and \$42,743, respectively, of ticket sales.

## SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements  
June 30, 2022 and 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition (Continued)

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. There are no contract assets or liabilities under Topic 606 at June 30, 2022 and 2021.

The House records all other income as it is earned.

#### 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.

#### 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 are reflected in the accompanying financial statements based upon the estimated fair value assigned to them by the donating volunteers, agencies, or management. Donated goods and services do not have donor-imposed restrictions and are utilized in the House's programs and are not monetized. The estimates fair value of these contributions are as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Program supplies and expenses	\$ 80,598	\$ 7,250
Rent (see Note 5)	<u>51,000</u>	<u>51,000</u>
	<u>\$ 131,598</u>	<u>\$ 58,250</u>

#### Subsequent Events

Subsequent events have been evaluated through September 13, 2022, 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.

## **SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.**

Notes to Financial Statements  
June 30, 2022 and 2021

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Fair Value Measurements (Continued)**

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.

#### **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, 2022 and 2021. 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, 2022 and 2021, or on the changes in its net assets for the years then ended.

## **SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.**

Notes to Financial Statements  
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### **3. FUNDING (Continued)**

The House received approximately 32% and 35% of its total operating support and revenue from these government agencies for the years ended June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021, approximately 62% and 63%, 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, 2022 and 2021, and is included in office supplies and expenses in the accompanying statements of functional expenses. Future minimum lease payments are \$2,255 for fiscal year 2023.

### **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, 2022 and 2021, SBSC received approximately \$83,900 and \$54,500, 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, 2022 and 2021, the House held SBSC cash of \$130,300 and \$68,744, 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 \$19,891 and \$17,482 for the years ended June 30, 2022 and 2021, 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.

## **SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.**

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### **9. NOTE PAYABLE TO A BANK**

The House has a line of credit with a bank which allows for borrowings up to \$100,000 and is renewable annually by the bank. Borrowings under the agreement are due on demand and interest is payable monthly at the bank's prime rate (4.75% and 3.25% at June 30, 2022 and 2021, 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, 2022 and 2021. The House must comply with certain covenants. The House was in compliance with these covenants as of June 30, 2022 and 2021.

### **10. CONDITIONAL GRANTS**

During fiscal year 2022, the House received grant commitments from various government and other agencies to fund qualifying costs and services through fiscal year 2023. These commitments are considered conditional under ASC Topic 958, as the House must incur costs or meet performance requirements prior to recognizing revenue. Total grants committed but not recognized as of June 30, 2022, totaled approximately \$1,200,000.

Subsequent to the Coronavirus Aid, Relief and Economic Security Act (CARES Act), Congress enacted the Consolidated Appropriations Act in December 2020, and the American Rescue Plan Act (ARPA) in March 2021. Both Acts provide additional funding and relief for individuals, companies, and industries affected by the COVID-19 pandemic. The House participated in the pilot monitoring phase of the ARPA Child Care Stabilization Grant during fiscal year 2022 and received \$227,836 through the Department of Early Education and Care. Allowable expenditures include personnel costs, professional development, other investments to improve program quality, rent or mortgage payments, utilities, facilities maintenance and improvements, insurance, and personal protective equipment. The House applied \$161,631 of the funds to its personnel costs and recognized the amount as grants and contributions in the accompanying statement of activities and changes in net assets for the year ended June 30, 2022, as the conditions were met.

The remaining \$66,205 is recorded as conditional advance in the accompanying statement of financial position as of June 30, 2022.

### **11. 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 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. 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.

### **12. EMPLOYEE RETENTION TAX CREDIT**

The Employee Retention Tax Credit (ERTC) was first established by the CARES Act and was extended and expanded by the Consolidated Appropriations Act (CAA) and American Rescue Plan (ARP). ERTC provides a refundable tax credit against certain employment taxes equal to 50% of the first \$10,000 in qualified wages paid to each employee between March 12, 2020 and December 31, 2020 (2020 ERTC), and 70% of the first \$10,000, per quarter, in qualified wages paid to each employee between January 1, 2021 and September 30, 2021 (2021 ERTC). To be eligible, the House must meet certain conditions as described in applicable laws and regulations.



## SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

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### 12. EMPLOYEE RETENTION TAX CREDIT (Continued)

The House has determined that it qualifies for both the 2020 ERTC and 2021 ERTC and, therefore, is accounting for them as conditional grants under ASC Subtopic 958-605. These grants are conditional upon certain performance requirements and the incurrence of eligible expenses. The House applied for and received the ERTC in fiscal year 2022. In the opinion of management, the conditions were met as of June 30, 2022, and therefore, the entire refund of \$117,354 is included in grants and contributions in the accompanying statement of activities and changes in net assets.

### 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>2022</u>	<u>2021</u>
Cash	\$ 1,532,437	\$ 1,244,347
Service contracts and grants receivable	<u>197,317</u>	<u>142,784</u>
	1,729,754	1,387,131
Less - donor-imposed restrictions	<u>(127,250)</u>	<u>(151,875)</u>
Total financial assets available	<u>\$ 1,602,504</u>	<u>\$ 1,235,256</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, 2022 and 2021, the House has financial assets equal to approximately eight and seven months of operating expense, respectively.