



**SOUTH BOSTON
NEIGHBORHOOD HOUSE, INC.**

**FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Contents
June 30, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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's, Inc.

Westborough, Massachusetts
September 12, 2023

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Statements of Financial Position
June 30, 2023 and 2022

| | 2023 | | | 2022 | | |
|---|----------------------------------|-------------------------------|---------------------|----------------------------------|-------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Assets | | | | | | |
| Current Assets: | | | | | | |
| Cash | \$ 1,818,427 | \$ 162,894 | \$ 1,981,321 | \$ 1,405,187 | \$ 127,250 | \$ 1,532,437 |
| Cash - fiscal agent | 148,863 | - | 148,863 | 130,300 | - | 130,300 |
| Service contracts and grants receivable | 230,287 | - | 230,287 | 197,317 | - | 197,317 |
| Prepaid expenses | 38,703 | - | 38,703 | 39,276 | - | 39,276 |
| Total current assets | 2,236,280 | 162,894 | 2,399,174 | 1,772,080 | 127,250 | 1,899,330 |
| Property and Equipment, net | 852,632 | - | 852,632 | 875,613 | - | 875,613 |
| Total assets | <u>\$ 3,088,912</u> | <u>\$ 162,894</u> | <u>\$ 3,251,806</u> | <u>\$ 2,647,693</u> | <u>\$ 127,250</u> | <u>\$ 2,774,943</u> |
| Liabilities and Net Assets | | | | | | |
| Current Liabilities: | | | | | | |
| Accounts payable and accrued expenses | \$ 149,212 | \$ - | \$ 149,212 | \$ 103,889 | \$ - | \$ 103,889 |
| Conditional advance | 68,073 | - | 68,073 | 66,205 | - | 66,205 |
| Fiscal agent payable | 148,863 | - | 148,863 | 130,300 | - | 130,300 |
| Total current liabilities | 366,148 | - | 366,148 | 300,394 | - | 300,394 |
| Net Assets: | | | | | | |
| Without donor restrictions: | | | | | | |
| Operating | 1,870,132 | - | 1,870,132 | 1,469,686 | - | 1,469,686 |
| Property and equipment | 852,632 | - | 852,632 | 875,613 | - | 875,613 |
| Board designated | - | - | - | 2,000 | - | 2,000 |
| Total without donor restrictions | 2,722,764 | - | 2,722,764 | 2,347,299 | - | 2,347,299 |
| With donor restrictions | - | 162,894 | 162,894 | - | 127,250 | 127,250 |
| Total net assets | 2,722,764 | 162,894 | 2,885,658 | 2,347,299 | 127,250 | 2,474,549 |
| Total liabilities and net assets | <u>\$ 3,088,912</u> | <u>\$ 162,894</u> | <u>\$ 3,251,806</u> | <u>\$ 2,647,693</u> | <u>\$ 127,250</u> | <u>\$ 2,774,943</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, 2023 and 2022

| | 2023 | | | 2022 | | |
|--|----------------------------------|-------------------------------|--------------|----------------------------------|-------------------------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Operating Support and Revenue: | | | | | | |
| Service contract revenue | \$ 1,655,380 | \$ - | \$ 1,655,380 | \$ 1,098,642 | \$ - | \$ 1,098,642 |
| Grants and contributions | 758,961 | 124,394 | 883,355 | 697,041 | 87,250 | 784,291 |
| Fundraising events | 549,730 | - | 549,730 | 552,258 | - | 552,258 |
| Program revenue | 362,618 | - | 362,618 | 320,961 | - | 320,961 |
| Donated goods and services | 137,424 | - | 137,424 | 131,598 | - | 131,598 |
| Other | 63,473 | - | 63,473 | 25,186 | - | 25,186 |
| Net assets released from time restrictions | 88,750 | (88,750) | - | 111,875 | (111,875) | - |
| Total operating support and revenue | 3,616,336 | 35,644 | 3,651,980 | 2,937,561 | (24,625) | 2,912,936 |
| Operating Expenses: | | | | | | |
| Program services: | | | | | | |
| Child Care | 1,466,667 | - | 1,466,667 | 1,113,792 | - | 1,113,792 |
| Community Initiatives | 182,314 | - | 182,314 | - | - | - |
| Elder Services | 426,517 | - | 426,517 | 313,244 | - | 313,244 |
| Education and Career Development | 208,605 | - | 208,605 | 119,634 | - | 119,634 |
| Family Engagement | 384,592 | - | 384,592 | 526,539 | - | 526,539 |
| Total program services | 2,668,695 | - | 2,668,695 | 2,073,209 | - | 2,073,209 |
| Supporting services: | | | | | | |
| General and Administrative | 335,178 | - | 335,178 | 327,138 | - | 327,138 |
| Development | 276,998 | - | 276,998 | 273,692 | - | 273,692 |
| Total supporting services | 612,176 | - | 612,176 | 600,830 | - | 600,830 |
| Total operating expenses | 3,280,871 | - | 3,280,871 | 2,674,039 | - | 2,674,039 |
| Changes in net assets from operations | 335,465 | 35,644 | 371,109 | 263,522 | (24,625) | 238,897 |
| Non-Operating Revenue (Expense): | | | | | | |
| Capital grants | 40,000 | - | 40,000 | 93,805 | - | 93,805 |
| Donated property and equipment | - | - | - | 75,090 | - | 75,090 |
| Loss on disposal of property and equipment | - | - | - | (9,234) | - | (9,234) |
| Total non-operating revenue (expense) | 40,000 | - | 40,000 | 159,661 | - | 159,661 |
| Changes in net assets | 375,465 | 35,644 | 411,109 | 423,183 | (24,625) | 398,558 |
| Net Assets: | | | | | | |
| Beginning of year | 2,347,299 | 127,250 | 2,474,549 | 1,924,116 | 151,875 | 2,075,991 |
| End of year | \$ 2,722,764 | \$ 162,894 | \$ 2,885,658 | \$ 2,347,299 | \$ 127,250 | \$ 2,474,549 |

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, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Cash Flows from Operating Activities: | | |
| Changes in net assets | \$ 411,109 | \$ 398,558 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation | 95,105 | 85,442 |
| Capital grants | (40,000) | (93,805) |
| Donated property and equipment | - | (75,090) |
| Loss on disposal of property and equipment | - | 9,234 |
| Changes in operating assets and liabilities: | | |
| Service contracts and grants receivable | (32,970) | (54,533) |
| Prepaid expenses | 573 | 2,366 |
| Accounts payable and accrued expenses | 45,323 | (50,622) |
| Conditional advance | 1,868 | 66,205 |
| | <u>481,008</u> | <u>287,755</u> |
| Net cash provided by operating activities | 481,008 | 287,755 |
| Cash Flows from Investing Activities: | | |
| Purchase of property and equipment | (72,124) | (93,470) |
| Cash Flows from Financing Activities: | | |
| Capital grants | <u>40,000</u> | <u>93,805</u> |
| Net Change in Cash | 448,884 | 288,090 |
| Cash: | | |
| Beginning of year | <u>1,532,437</u> | <u>1,244,347</u> |
| End of year | <u>\$ 1,981,321</u> | <u>\$ 1,532,437</u> |

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2023

(With Summarized Comparative Totals for the Year Ended June 30, 2022)

| | 2023 | | | | | | | | | | 2022 |
|---|------------------|-----------------------|----------------|----------------------------------|-------------------|------------------------|------------------------------|-------------|---------------------------|--------------|--------------|
| | Program Services | | | | | | Supporting Services | | | | |
| | | | | | | | General and Adminis- trative | Development | Total Supporting Services | Total | Total |
| | Child Care | Community Initiatives | Elder Services | Education and Career Development | Family Engagement | Total Program Services | | | | | |
| Salaries and Related: | | | | | | | | | | | |
| Salaries | \$ 958,854 | \$ 54,004 | \$ 251,724 | \$ 118,723 | \$ 203,447 | \$ 1,586,752 | \$ 225,537 | \$ 160,341 | \$ 385,878 | \$ 1,972,630 | \$ 1,551,501 |
| Payroll taxes | 74,966 | 4,232 | 20,184 | 9,669 | 16,398 | 125,449 | 19,772 | 12,195 | 31,967 | 157,416 | 124,500 |
| Fringe benefits | 28,013 | - | 7,988 | 1,642 | 11,850 | 49,493 | 6,879 | 19,446 | 26,325 | 75,818 | 45,275 |
| Total salaries and related | 1,061,833 | 58,236 | 279,896 | 130,034 | 231,695 | 1,761,694 | 252,188 | 191,982 | 444,170 | 2,205,864 | 1,721,276 |
| Other Expenses: | | | | | | | | | | | |
| Program supplies and expenses | 171,781 | 114,219 | 33,033 | 39,797 | 84,685 | 443,515 | - | - | - | 443,515 | 393,672 |
| Repairs and maintenance | 54,026 | - | 17,449 | 5,165 | 14,986 | 91,626 | 6,949 | 6,090 | 13,039 | 104,665 | 96,512 |
| Depreciation | 38,265 | - | 21,722 | 4,859 | 20,739 | 85,585 | 5,644 | 3,876 | 9,520 | 95,105 | 85,442 |
| Conferences, meetings and training | 6,137 | 95 | 920 | 142 | 1,472 | 8,766 | 3,765 | 61,758 | 65,523 | 74,289 | 81,951 |
| Rent | 51,000 | - | - | - | - | 51,000 | - | - | - | 51,000 | 51,000 |
| Outside services | 2,760 | 4,733 | 16,150 | 15,335 | 5,768 | 44,746 | 4,350 | - | 4,350 | 49,096 | 36,947 |
| Professional fees | - | 5,000 | - | - | - | 5,000 | 42,922 | - | 42,922 | 47,922 | 39,253 |
| Insurance | 20,423 | - | 10,125 | 2,266 | 9,665 | 42,479 | 2,632 | 1,806 | 4,438 | 46,917 | 42,515 |
| Travel and transportation | 9,307 | - | 28,976 | 1,710 | 1,430 | 41,423 | - | - | - | 41,423 | 15,819 |
| Utilities | 18,771 | - | 5,757 | 1,288 | 5,497 | 31,313 | 1,496 | 1,027 | 2,523 | 33,836 | 31,259 |
| Van and equipment rental | 13,522 | - | 5,516 | 5,409 | 2,704 | 27,151 | - | - | - | 27,151 | 27,098 |
| Miscellaneous | 3,492 | - | 140 | 165 | 2,051 | 5,848 | 10,119 | 6,796 | 16,915 | 22,763 | 23,861 |
| Telephone | 11,410 | - | 2,236 | 1,499 | 1,867 | 17,012 | 3,366 | 2,236 | 5,602 | 22,614 | 12,844 |
| Office supplies and expenses | 3,940 | 31 | 4,597 | 936 | 2,033 | 11,537 | 1,747 | 1,427 | 3,174 | 14,711 | 14,590 |
| Total expenses before general and administrative allocation | 1,466,667 | 182,314 | 426,517 | 208,605 | 384,592 | 2,668,695 | 335,178 | 276,998 | 612,176 | 3,280,871 | 2,674,039 |
| General and Administrative Allocation | 166,886 | 20,745 | 48,532 | 23,736 | 43,761 | 303,660 | (335,178) | 31,518 | (303,660) | - | - |
| Total expenses | \$ 1,633,553 | \$ 203,059 | \$ 475,049 | \$ 232,341 | \$ 428,353 | \$ 2,972,355 | \$ - | \$ 308,516 | \$ 308,516 | \$ 3,280,871 | \$ 2,674,039 |

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2022

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

The accompanying notes are an integral part of these statements.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022.

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.

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:

| | Estimated Useful Lives | 2023 | 2022 |
|---------------------------------|-----------------------------------|-------------------|-------------------|
| Land | N/A | \$ 100,000 | \$ 100,000 |
| Building | 40 years | 1,298,646 | 1,298,646 |
| Building improvements | 5 - 20 years | 723,393 | 603,268 |
| Furniture and equipment | 3 - 5 years | 108,926 | 132,277 |
| Construction in progress | | - | 48,000 |
| | | <u>2,230,965</u> | <u>2,182,191</u> |
| Less - accumulated depreciation | | <u>1,378,333</u> | <u>1,306,578</u> |
| | | <u>\$ 852,632</u> | <u>\$ 875,613</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 2023 or 2022.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation (Continued)

Construction in progress at June 30, 2022, includes \$25,000 for window replacements and \$23,000 for security upgrades and door replacements. These projects were completed and placed into service during fiscal year 2023.

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>2023</u> | <u>2022</u> |
|-----------------------------|-------------------|-------------------|
| Time restricted | \$ 72,000 | \$ 87,250 |
| Purpose restricted | 50,894 | - |
| Revolving loan (see Note 4) | <u>40,000</u> | <u>40,000</u> |
| | <u>\$ 162,894</u> | <u>\$ 127,250</u> |

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.

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.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2023 and 2022

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. 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, whereby 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, 2023 and 2022, is \$416,240 and \$399,935, respectively, of fundraising event contributions and \$133,490 and \$152,323, respectively, of ticket sales.

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, 2023 and 2022.

The House records all other income as it is earned.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocations

Expenses related directly to a program or function are distributed to that program or function. Other expenses are allocated based upon management's estimate of the percentage attributable to each program or function. The financial statements contain certain categories of expenses that are attributable to program and supporting functions. The expenses 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>2023</u> | <u>2022</u> |
|-------------------------------|-------------------|-------------------|
| Program supplies and expenses | \$ 86,424 | \$ 80,598 |
| Rent (see Note 5) | <u>51,000</u> | <u>51,000</u> |
| | <u>\$ 137,424</u> | <u>\$ 131,598</u> |

Subsequent Events

Subsequent events have been evaluated through September 12, 2023, 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.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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, 2023 and 2022. 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, 2023 and 2022, or on the changes in its net assets for the years then ended.

The House received approximately 38% and 32% of its total operating support and revenue from these government agencies for the years ended June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, approximately 74% and 62%, 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.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2023 and 2022

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).

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, 2023 and 2022, SBSC received approximately \$87,000 and \$83,900, 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, 2023 and 2022, the House held SBSC cash of \$148,863 and \$130,300, 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 \$21,122 and \$19,891 for the years ended June 30, 2023 and 2022, 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 (8.25% and 4.75% at June 30, 2023 and 2022, 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, 2023 and 2022. The House must comply with certain covenants. The House was in compliance with these covenants as of June 30, 2023 and 2022.

10. CONDITIONAL GRANTS

The House has received grant commitments from various government and other agencies to fund qualifying costs and services through fiscal year 2024. 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, 2023, totaled approximately \$1,624,000.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2023 and 2022

10. CONDITIONAL GRANTS (Continued)

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 and received \$249,699 and \$227,836 for the years ended June 30, 2023 and 2022, respectfully, 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 \$181,527 and \$161,631 of the funds to its personnel costs and recognized the amounts as grants and contributions in the accompanying statements of activities and changes in net assets for the years ended June 30, 2023 and 2022, respectfully, as the conditions were met.

The remaining \$68,073 and \$66,205 was recorded as conditional advance in the accompanying statements of financial position as of June 30, 2023 and 2022, respectfully.

11. EMPLOYEE RETENTION TAX CREDIT

The Employee Retention Tax Credit (ERTC) was first established by the Coronavirus Aid, Relief, and Economic Security Act (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.

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.

12. 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>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Cash | \$ 1,981,321 | \$ 1,532,437 |
| Service contracts and grants receivable | <u>230,287</u> | <u>197,317</u> |
| | 2,211,608 | 1,729,754 |
| Less - donor-imposed restrictions | <u>(162,894)</u> | <u>(127,250)</u> |
| Total financial assets available | <u>\$ 2,048,714</u> | <u>\$ 1,602,504</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, 2023 and 2022, the House has financial assets equal to approximately eight and seven months of operating expense, respectively.