



South
Boston
Neighborhood
House
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**FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Contents
June 30, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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 10, 2024

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Statements of Financial Position
June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current Assets:						
Cash	\$ 1,873,201	\$ 121,001	\$ 1,994,202	\$ 1,818,427	\$ 162,894	\$ 1,981,321
Cash - fiscal agent	155,243	-	155,243	148,863	-	148,863
Service contracts and grants receivable	209,570	-	209,570	230,287	-	230,287
Prepaid expenses	42,220	-	42,220	38,703	-	38,703
Total current assets	<u>2,280,234</u>	<u>121,001</u>	<u>2,401,235</u>	<u>2,236,280</u>	<u>162,894</u>	<u>2,399,174</u>
Property and Equipment, net	<u>771,085</u>	<u>-</u>	<u>771,085</u>	<u>852,632</u>	<u>-</u>	<u>852,632</u>
Total assets	<u>\$ 3,051,319</u>	<u>\$ 121,001</u>	<u>\$ 3,172,320</u>	<u>\$ 3,088,912</u>	<u>\$ 162,894</u>	<u>\$ 3,251,806</u>
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 142,063	\$ -	\$ 142,063	\$ 149,212	\$ -	\$ 149,212
Conditional advance	39,670	-	39,670	68,073	-	68,073
Fiscal agent payable	155,243	-	155,243	148,863	-	148,863
Total current liabilities	<u>336,976</u>	<u>-</u>	<u>336,976</u>	<u>366,148</u>	<u>-</u>	<u>366,148</u>
Net Assets:						
Without donor restrictions:						
Operating	1,943,258	-	1,943,258	1,870,132	-	1,870,132
Property and equipment	771,085	-	771,085	852,632	-	852,632
Total without donor restrictions	<u>2,714,343</u>	<u>-</u>	<u>2,714,343</u>	<u>2,722,764</u>	<u>-</u>	<u>2,722,764</u>
With donor restrictions	-	121,001	121,001	-	162,894	162,894
Total net assets	<u>2,714,343</u>	<u>121,001</u>	<u>2,835,344</u>	<u>2,722,764</u>	<u>162,894</u>	<u>2,885,658</u>
Total liabilities and net assets	<u>\$ 3,051,319</u>	<u>\$ 121,001</u>	<u>\$ 3,172,320</u>	<u>\$ 3,088,912</u>	<u>\$ 162,894</u>	<u>\$ 3,251,806</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, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue:						
Service contract revenue	\$ 1,742,884	\$ -	\$ 1,742,884	\$ 1,655,380	\$ -	\$ 1,655,380
Grants and contributions	665,281	43,360	708,641	758,961	124,394	883,355
Fundraising events	556,922	-	556,922	549,730	-	549,730
Program revenue	394,563	-	394,563	362,618	-	362,618
Donated goods and services	140,330	-	140,330	137,424	-	137,424
Other	67,052	-	67,052	63,473	-	63,473
Net assets released from purpose restrictions	13,253	(13,253)	-	-	-	-
Net assets released from time restrictions	72,000	(72,000)	-	88,750	(88,750)	-
Total operating support and revenue	<u>3,652,285</u>	<u>(41,893)</u>	<u>3,610,392</u>	<u>3,616,336</u>	<u>35,644</u>	<u>3,651,980</u>
Operating Expenses:						
Program services:						
Child Care	1,514,554	-	1,514,554	1,466,667	-	1,466,667
Elder Services	522,510	-	522,510	426,517	-	426,517
Community Initiatives	285,245	-	285,245	182,314	-	182,314
Education and Career Development	231,988	-	231,988	208,605	-	208,605
Family Engagement	420,803	-	420,803	384,592	-	384,592
Total program services	<u>2,975,100</u>	<u>-</u>	<u>2,975,100</u>	<u>2,668,695</u>	<u>-</u>	<u>2,668,695</u>
Supporting services:						
General and Administrative	395,203	-	395,203	335,178	-	335,178
Development	290,403	-	290,403	276,998	-	276,998
Total supporting services	<u>685,606</u>	<u>-</u>	<u>685,606</u>	<u>612,176</u>	<u>-</u>	<u>612,176</u>
Total operating expenses	<u>3,660,706</u>	<u>-</u>	<u>3,660,706</u>	<u>3,280,871</u>	<u>-</u>	<u>3,280,871</u>
Changes in net assets from operations	(8,421)	(41,893)	(50,314)	335,465	35,644	371,109
Non-Operating Revenue:						
Capital grants	-	-	-	40,000	-	40,000
Changes in net assets	(8,421)	(41,893)	(50,314)	375,465	35,644	411,109
Net Assets:						
Beginning of year	<u>2,722,764</u>	<u>162,894</u>	<u>2,885,658</u>	<u>2,347,299</u>	<u>127,250</u>	<u>2,474,549</u>
End of year	<u>\$ 2,714,343</u>	<u>\$ 121,001</u>	<u>\$ 2,835,344</u>	<u>\$ 2,722,764</u>	<u>\$ 162,894</u>	<u>\$ 2,885,658</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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (50,314)	\$ 411,109
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	89,122	95,105
Capital grants	-	(40,000)
Loss on disposal of property and equipment	8,247	-
Changes in operating assets and liabilities:		
Service contracts and grants receivable	20,717	(32,970)
Prepaid expenses	(3,517)	573
Accounts payable and accrued expenses	(7,149)	45,323
Conditional advance	(28,403)	1,868
	<u>28,703</u>	<u>481,008</u>
Net cash provided by operating activities	28,703	481,008
Cash Flows from Investing Activities:		
Purchase of property and equipment	(15,822)	(72,124)
Cash Flows from Financing Activities:		
Capital grants	-	40,000
	<u>12,881</u>	<u>448,884</u>
Net Change in Cash	12,881	448,884
Cash:		
Beginning of year	<u>1,981,321</u>	<u>1,532,437</u>
End of year	<u>\$ 1,994,202</u>	<u>\$ 1,981,321</u>

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2024

(With Summarized Comparative Totals for the Year Ended June 30, 2023)

	2024										2023
	Program Services					Supporting Services					Total
	Child Care	Community Initiatives	Elder Services	Education and Career Development	Family Engagement	Total Program Services	General and Administrative	Development	Total Supporting Services		
Salaries and Related:											
Salaries	\$ 1,035,702	\$ 102,174	\$ 318,534	\$ 134,442	\$ 231,515	\$ 1,822,367	\$ 277,612	\$ 167,031	\$ 444,643	\$ 2,267,010	\$ 1,972,630
Payroll taxes	83,262	8,228	25,696	11,013	18,640	146,839	22,342	12,809	35,151	181,990	157,416
Fringe benefits	32,688	-	8,302	1,900	12,193	55,083	9,346	19,664	29,010	84,093	75,818
Total salaries and related	1,151,652	110,402	352,532	147,355	262,348	2,024,289	309,300	199,504	508,804	2,533,093	2,205,864
Other Expenses:											
Program supplies and expenses	143,133	135,091	22,533	47,803	93,250	441,810	-	-	-	441,810	443,515
Repairs and maintenance	58,460	1,523	26,404	5,179	18,527	110,093	8,192	5,531	13,723	123,816	104,665
Depreciation	35,771	1,709	20,136	4,504	18,176	80,296	5,233	3,593	8,826	89,122	95,105
Conferences, meetings and training	2,440	95	1,101	-	737	4,373	2,376	70,455	72,831	77,204	74,289
Travel and transportation	1,590	-	57,372	1,665	1,075	61,702	-	-	-	61,702	41,423
Outside services	3,475	22,076	14,380	13,948	1,240	55,119	3,118	-	3,118	58,237	49,096
Professional fees	-	10,750	-	-	-	10,750	46,414	-	46,414	57,164	47,922
Insurance	22,877	978	11,529	2,580	10,407	48,371	2,997	2,057	5,054	53,425	46,917
Rent	51,000	-	-	-	-	51,000	-	-	-	51,000	51,000
Utilities	19,375	502	5,914	1,323	5,339	32,453	1,537	1,055	2,592	35,045	33,836
Van and equipment rental	11,645	-	5,575	6,469	2,588	26,277	-	-	-	26,277	27,151
Miscellaneous	2,812	-	595	35	2,457	5,899	11,057	6,190	17,247	23,146	22,763
Telephone	7,927	581	2,323	581	2,904	14,316	2,323	1,162	3,485	17,801	22,614
Office supplies and expenses	2,397	1,538	2,116	546	1,755	8,352	2,656	856	3,512	11,864	14,711
Total expenses before general and administrative allocation	1,514,554	285,245	522,510	231,988	420,803	2,975,100	395,203	290,403	685,606	3,660,706	3,280,871
General and Administrative Allocation	183,297	34,521	63,236	28,076	50,927	360,057	(395,203)	35,146	(360,057)	-	-
Total expenses	\$ 1,697,851	\$ 319,766	\$ 585,746	\$ 260,064	\$ 471,730	\$ 3,335,157	\$ -	\$ 325,549	\$ 325,549	\$ 3,660,706	\$ 3,280,871

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program Services					Supporting Services				Total
	Child Care	Community Initiatives	Elder Services	Education and Career Development	Family Engagement	Total Program Services	General and Administrative	Development	Total Supporting 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
Payroll taxes	74,966	4,232	20,184	9,669	16,398	125,449	19,772	12,195	31,967	157,416
Fringe benefits	28,013	-	7,988	1,642	11,850	49,493	6,879	19,446	26,325	75,818
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
Other Expenses:										
Program supplies and expenses	171,781	114,219	33,033	39,797	84,685	443,515	-	-	-	443,515
Repairs and maintenance	54,026	-	17,449	5,165	14,986	91,626	6,949	6,090	13,039	104,665
Depreciation	38,265	-	21,722	4,859	20,739	85,585	5,644	3,876	9,520	95,105
Conferences, meetings and training	6,137	95	920	142	1,472	8,766	3,765	61,758	65,523	74,289
Travel and transportation	9,307	-	28,976	1,710	1,430	41,423	-	-	-	41,423
Outside services	2,760	4,733	16,150	15,335	5,768	44,746	4,350	-	4,350	49,096
Professional fees	-	5,000	-	-	-	5,000	42,922	-	42,922	47,922
Insurance	20,423	-	10,125	2,266	9,665	42,479	2,632	1,806	4,438	46,917
Rent	51,000	-	-	-	-	51,000	-	-	-	51,000
Utilities	18,771	-	5,757	1,288	5,497	31,313	1,496	1,027	2,523	33,836
Van and equipment rental	13,522	-	5,516	5,409	2,704	27,151	-	-	-	27,151
Miscellaneous	3,492	-	140	165	2,051	5,848	10,119	6,796	16,915	22,763
Telephone	11,410	-	2,236	1,499	1,867	17,012	3,366	2,236	5,602	22,614
Office supplies and expenses	3,940	31	4,597	936	2,033	11,537	1,747	1,427	3,174	14,711
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
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

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2024 and 2023

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, 2024 and 2023.

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	2024	2023
Land	N/A	\$ 100,000	\$ 100,000
Building	40 years	1,293,646	1,298,646
Building improvements	5 - 20 years	689,982	723,393
Furniture and equipment	3 - 5 years	108,927	108,926
		<u>2,192,555</u>	<u>2,230,965</u>
Less - accumulated depreciation		<u>1,421,470</u>	<u>1,378,333</u>
		<u>\$ 771,085</u>	<u>\$ 852,632</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 2024 or 2023.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2024 and 2023

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.

Net Assets With Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
Purpose restricted	\$ 62,001	\$ 50,894
Revolving loan (see Note 4)	40,000	40,000
Time restricted	<u>19,000</u>	<u>72,000</u>
	<u>\$ 121,001</u>	<u>\$ 162,894</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.

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.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
June 30, 2024 and 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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, 2024 and 2023, is \$395,055 and \$416,240, respectively, of fundraising event contributions and \$161,867 and \$133,490, 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, 2024 and 2023.

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, 2024 and 2023

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 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 is as follows for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Program supplies and expenses	\$ 89,330	\$ 86,424
Rent (see Note 5)	<u>51,000</u>	<u>51,000</u>
	<u>\$ 140,330</u>	<u>\$ 137,424</u>

Subsequent Events

Subsequent events have been evaluated through September 10, 2024, 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, 2024 and 2023

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, 2024 and 2023. 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, 2024 and 2023, or on the changes in its net assets for the years then ended.

The House received approximately 36% and 38% of its total operating support and revenue from these government agencies for the years ended June 30, 2024 and 2023, respectively. At June 30, 2024 and 2023, approximately 75% and 74%, 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).

6. FISCAL AGENT ACTIVITY

The House acts as fiscal agent for the South Boston Summer Collaborative (SBSC) program. For the years ended June 30, 2024 and 2023, SBSC received approximately \$67,000 and \$87,000, 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, 2024 and 2023, the House held SBSC cash of \$155,243 and \$148,863, respectively, which is presented as cash - fiscal agent and fiscal agent payable in the accompanying statements of financial position.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
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7. RETIREMENT PLAN

The House has an IRC Section 401(k) retirement plan (the 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 \$26,207 and \$21,122 for the years ended June 30, 2024 and 2023, 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 (8.50% and 8.25% at June 30, 2024 and 2023, 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, 2024 and 2023. The House must comply with certain covenants. The House was in compliance with these covenants as of June 30, 2024 and 2023.

10. CONDITIONAL GRANTS

The House has received grant commitments from various government and other agencies to fund qualifying costs and services through fiscal year 2025. 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, 2024, totaled approximately \$1,406,000.

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 \$237,900 and \$249,699 for the years ended June 30, 2024 and 2023, 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 \$198,230 and \$181,527 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, 2024 and 2023, respectfully, as the conditions were met.

The remaining \$39,670 and \$68,073 was recorded as conditional advance in the accompanying statements of financial position as of June 30, 2024 and 2023, respectfully.

SOUTH BOSTON NEIGHBORHOOD HOUSE, INC.

Notes to Financial Statements
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11. 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>2024</u>	<u>2023</u>
Cash	\$ 1,994,202	\$ 1,981,321
Service contracts and grants receivable	<u>209,570</u>	<u>230,287</u>
	2,203,772	2,211,608
Less - donor-imposed restrictions	<u>(121,001)</u>	<u>(162,894)</u>
Total financial assets available	<u>\$ 2,082,771</u>	<u>\$ 2,048,714</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, 2024 and 2023, the House has financial assets equal to approximately eight and seven months of operating expense, respectively.