



**Consolidated Financial Statements**  
**South Middlesex Opportunity Council, Inc.**  
**and Affiliates**

**June 30, 2021 and 2020**



**SOUTH MIDDLESEX OPPORTUNITY COUNCIL, INC.  
AND AFFILIATES**

***Consolidated Financial Statements***

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## *Independent Auditors' Report*

The Board of Directors  
South Middlesex Opportunity Council, Inc. and Affiliates  
Framingham, Massachusetts

We have audited the accompanying consolidated financial statements of South Middlesex Opportunity Council, Inc. and Affiliates (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of South Middlesex Opportunity Council, Inc. and Affiliates as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Maye Hoffman McCann P.C.*

March 9, 2022  
Boston, Massachusetts

**SOUTH MIDDLESEX OPPORTUNITY COUNCIL, INC.  
AND AFFILIATES**

**Consolidated Statements of Financial Position**

*June 30,*

<b>Assets</b>	<u><b>2021</b></u>	<u><b>2020</b></u>
Current assets:		
Cash and cash equivalents	\$ 17,020,840	\$ 6,936,937
Certificates of deposit	2,333,588	2,413,767
Restricted cash	779,772	922,325
Restricted cash, Home modification loan program	2,265,314	1,989,350
Accounts receivable:		
Contracts and grants	8,823,911	5,995,778
Third parties - net of allowance for doubtful accounts	1,076,825	2,045,379
Other - net of allowance for doubtful accounts	1,576,795	1,665,664
Investments	560,342	453,637
Prepaid expenses and deposits	78,647	14,334
	<u><b>34,516,034</b></u>	<u><b>22,437,171</b></u>
Other assets:		
Other assets	2,093,840	2,075,865
Notes receivable, long-term portion	273,358	273,358
Home modification program receivable	16,700,013	16,469,436
Property, plant and equipment, net	80,176,056	80,224,057
Construction in progress	6,825,040	3,347,136
Investment in affiliate	25,000	25,000
	<u><b>106,093,307</b></u>	<u><b>102,414,852</b></u>
	<u><b>\$ 140,609,341</b></u>	<u><b>\$ 124,852,023</b></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 2,956,149	\$ 4,743,766
Accrued expenses	2,419,333	2,464,321
Obligations under capital lease, current portion	124,163	113,100
Mortgage notes payable, current portion	2,506,531	1,435,690
Refundable advances	7,970,291	5,085,981
	<u><b>15,976,467</b></u>	<u><b>13,842,858</b></u>
Other liabilities:		
Lines of credit	484,497	2,727,555
Obligations under capital lease, long-term portion	233,884	259,480
Mortgage notes payable, long-term portion	77,843,786	65,771,463
Home modification loan program advances payable	16,700,013	16,469,436
Home modification loan program pool payable	2,265,314	1,989,350
Other liabilities	92,269	105,113
	<u><b>97,619,763</b></u>	<u><b>87,322,397</b></u>
	<u><b>113,596,230</b></u>	<u><b>101,165,255</b></u>
Net assets:		
Without donor restrictions	24,949,561	22,034,230
With donor restrictions	2,063,550	1,652,538
	<u><b>27,013,111</b></u>	<u><b>23,686,768</b></u>
	<u><b>\$ 140,609,341</b></u>	<u><b>\$ 124,852,023</b></u>

**SOUTH MIDDLESEX OPPORTUNITY COUNCIL, INC.  
AND AFFILIATES**

**Consolidated Statements of Activities**

Years Ended June 30,

	<b>2021</b>			<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, gains and other support:</b>						
Contracts and grants	\$ 94,389,507	\$ 2,673,072	\$ 97,062,579	\$ 84,145,395	\$ 1,435,138	\$ 85,580,533
Third party billings, net of free services and contractual allowances	8,430,286	-	8,430,286	9,256,883	-	9,256,883
Tuition income	239,057	-	239,057	573,474	-	573,474
Other program revenue	1,502,231	-	1,502,231	1,499,581	-	1,499,581
Donated goods and services	1,132,914	-	1,132,914	862,302	-	862,302
Contributions	2,837,247	-	2,837,247	1,731,510	-	1,731,510
Rental income	7,253,486	-	7,253,486	7,677,194	-	7,677,194
Other income	280,097	-	280,097	1,028,948	-	1,028,948
Gain (loss) on sale of property	1,124,544	-	1,124,544	(22,096)	-	(22,096)
<b>Total revenue and gains</b>	<b>117,189,369</b>	<b>2,673,072</b>	<b>119,862,441</b>	<b>106,753,191</b>	<b>1,435,138</b>	<b>108,188,329</b>
Net assets released from restriction	2,262,060	(2,262,060)	-	1,567,493	(1,567,493)	-
<b>Total revenue, gains and other support</b>	<b>119,451,429</b>	<b>411,012</b>	<b>119,862,441</b>	<b>108,320,684</b>	<b>(132,355)</b>	<b>108,188,329</b>
<b>Expenses and losses:</b>						
Program services:						
Housing	8,385,049	-	8,385,049	10,204,739	-	10,204,739
Open Pantry Community Services, Inc.	2,144,118	-	2,144,118	1,828,052	-	1,828,052
Education and Child Care	12,776,710	-	12,776,710	11,239,454	-	11,239,454
Domestic Violence	1,127,909	-	1,127,909	1,145,681	-	1,145,681
Substance Abuse	6,154,415	-	6,154,415	5,822,216	-	5,822,216
Energy and Financial Assistance	50,415,764	-	50,415,764	45,437,991	-	45,437,991
Transitional Housing	17,785,705	-	17,785,705	15,013,617	-	15,013,617
Employment and Training	780,678	-	780,678	1,105,330	-	1,105,330
Mental Health Services	6,619,830	-	6,619,830	4,259,430	-	4,259,430
Nutrition	945,522	-	945,522	2,231,419	-	2,231,419
<b>Total program services before depreciation and amortization</b>	<b>107,135,700</b>	<b>-</b>	<b>107,135,700</b>	<b>98,287,929</b>	<b>-</b>	<b>98,287,929</b>
Supporting services:						
General and administrative	6,135,806	-	6,135,806	4,911,717	-	4,911,717
Fundraising	79,063	-	79,063	140,625	-	140,625
<b>Total supporting services before depreciation and amortization</b>	<b>6,214,869</b>	<b>-</b>	<b>6,214,869</b>	<b>5,052,342</b>	<b>-</b>	<b>5,052,342</b>
<b>Total expenses and losses before depreciation and amortization</b>	<b>113,350,569</b>	<b>-</b>	<b>113,350,569</b>	<b>103,340,271</b>	<b>-</b>	<b>103,340,271</b>
<b>Change in net assets before depreciation and amortization</b>	<b>6,100,860</b>	<b>411,012</b>	<b>6,511,872</b>	<b>4,980,413</b>	<b>(132,355)</b>	<b>4,848,058</b>
Depreciation and amortization expense	3,185,529	-	3,185,529	2,991,428	-	2,991,428
<b>Change in net assets</b>	<b>2,915,331</b>	<b>411,012</b>	<b>3,326,343</b>	<b>1,988,985</b>	<b>(132,355)</b>	<b>1,856,630</b>
Net assets, beginning of year	22,034,230	1,652,538	23,686,768	20,045,245	1,784,893	21,830,138
<b>Net assets, end of year</b>	<b>\$ 24,949,561</b>	<b>\$ 2,063,550</b>	<b>\$ 27,013,111</b>	<b>\$ 22,034,230</b>	<b>\$ 1,652,538</b>	<b>\$ 23,686,768</b>

**SOUTH MIDDLESEX OPPORTUNITY COUNCIL, INC.  
AND AFFILIATES**

**Consolidated Statement of Functional Expenses**

*Year Ended June 30, 2021*

	<i>Program Services</i>						<i>Balance Forward</i>
	<i>Housing</i>	<i>Open Pantry Community Services, Inc.</i>	<i>Education and Child Care</i>	<i>Domestic Violence</i>	<i>Substance Abuse</i>	<i>Energy and Financial Assistance</i>	
<b>Expenses and losses:</b>							
Salaries and wages	\$ 1,679,917	\$ 856,612	\$ 5,776,116	\$ 674,002	\$ 3,436,913	\$ 1,909,461	\$ 14,333,021
Employee benefits and payroll taxes	386,423	237,436	1,760,861	156,117	833,402	583,123	3,957,362
<b>Total salaries and related expenses</b>	<b>2,066,340</b>	<b>1,094,048</b>	<b>7,536,977</b>	<b>830,119</b>	<b>4,270,315</b>	<b>2,492,584</b>	<b>18,290,383</b>
Client assistance	1,530,862	24,155	13,766	17,243	57,693	45,318,773	46,962,492
Professional fees and contracted services	242,342	120,922	1,688,403	10,489	52,595	95,118	2,209,869
Occupancy	4,036,007	159,159	1,888,745	81,311	928,075	181,780	7,275,077
Equipment expenses	19,022	6,214	84,669	6,786	50,478	36,707	203,876
Dietary	1,379	61,681	252,891	277	162,763	276,252	755,243
Donated goods and services	-	540,699	321,837	-	41,229	-	903,765
Transportation	198,964	31,512	199,092	9,955	46,506	6,570	492,599
Supplies	580,604	55,555	496,880	142,669	430,848	1,528,346	3,234,902
Telephone	130,138	14,975	50,293	16,484	44,983	32,103	288,976
Insurance	649,715	21,157	102,582	12,534	52,838	27,603	866,429
Advertising	-	138	891	-	1,269	2,832	5,130
Training	489	2,845	20,588	42	763	392,257	416,984
Interest expense	2,362,848	1,481	5,788	-	8,630	9,255	2,388,002
Bad debt expense	388,669	8,380	109,267	-	5,063	15,584	526,963
Other	478	1,197	4,041	-	367	-	6,083
Fundraising	-	-	-	-	-	-	-
Management fees	-	-	-	-	-	-	-
Eliminating entries	(3,822,808)	-	-	-	-	-	(3,822,808)
<b>Expenses and losses before depreciation and amortization</b>	<b>8,385,049</b>	<b>2,144,118</b>	<b>12,776,710</b>	<b>1,127,909</b>	<b>6,154,415</b>	<b>50,415,764</b>	<b>81,003,965</b>
Depreciation and amortization	2,872,691	8,828	-	-	-	-	2,881,519
<b>Total expenses</b>	<b>\$ 11,257,740</b>	<b>\$ 2,152,946</b>	<b>\$ 12,776,710</b>	<b>\$ 1,127,909</b>	<b>\$ 6,154,415</b>	<b>\$ 50,415,764</b>	<b>\$ 83,885,484</b>

**SOUTH MIDDLESEX OPPORTUNITY COUNCIL, INC.  
AND AFFILIATES**

**Consolidated Statement of Functional Expenses...continued**

Year Ended June 30, 2021

	<i>Program Services</i>					<i>Supporting Services</i>		<i>Total</i>
	<i>Balance Forward</i>	<i>Transitional Housing</i>	<i>Employment and Training</i>	<i>Mental Health Services</i>	<i>Nutrition</i>	<i>General and Administrative</i>	<i>Fundraising</i>	
<b>Expenses and losses:</b>								
Salaries and wages	\$ 14,333,021	\$ 5,751,524	\$ 428,145	\$ 3,286,176	\$ 608,997	\$ 3,783,010	\$ 24,873	\$ 28,215,746
Employee benefits and payroll taxes	3,957,362	1,556,484	129,343	667,628	186,552	296,953	5,591	6,799,913
Total salaries and related expenses	18,290,383	7,308,008	557,488	3,953,804	795,549	4,079,963	30,464	35,015,659
Client assistance	46,962,492	2,592,548	145,502	12,335	-	10,436	-	49,723,313
Professional fees and contracted services	2,209,869	1,558,390	89,994	136,886	737	1,010,818	4	5,006,698
Occupancy	7,275,077	4,530,866	237,266	312,905	90,458	136,570	14,126	12,597,268
Equipment expenses	203,876	133,774	24,750	23,672	10,796	100,295	-	497,163
Dietary	755,243	89,366	1,407	2,044	-	569	-	848,629
Donated goods and services	903,765	229,152	-	-	-	-	-	1,132,917
Transportation	492,599	119,523	19,368	3,411	-	65,019	137	700,057
Supplies	3,234,902	962,075	45,148	53,522	23,718	503,159	7,541	4,830,065
Telephone	288,976	128,860	12,080	52,288	13,567	54,578	119	550,468
Insurance	866,429	118,821	10,917	28,915	10,371	45,237	975	1,081,665
Advertising	5,130	2,280	1,925	119	285	13,534	309	23,582
Training	416,984	4,163	14,740	7,320	41	12,106	530	455,884
Interest expense	2,388,002	1,907	-	-	-	37,584	-	2,427,493
Bad debt expense	526,963	208	5,028	2,122,136	-	-	-	2,654,335
Other	6,083	5,764	-	440	-	65,940	-	78,227
Fundraising	-	-	-	-	-	-	24,858	24,858
Management fees	-	-	-	-	-	5,242,306	-	5,242,306
Eliminating entries	(3,822,808)	-	(384,935)	(89,967)	-	(5,242,308)	-	(9,540,018)
Expenses and losses before depreciation and amortization	81,003,965	17,785,705	780,678	6,619,830	945,522	6,135,806	79,063	113,350,569
Depreciation and amortization	2,881,519	109,476	-	-	-	194,534	-	3,185,529
<b>Total expenses</b>	<b>\$ 83,885,484</b>	<b>\$ 17,895,181</b>	<b>\$ 780,678</b>	<b>\$ 6,619,830</b>	<b>\$ 945,522</b>	<b>\$ 6,330,340</b>	<b>\$ 79,063</b>	<b>\$ 116,536,098</b>



**SOUTH MIDDLESEX OPPORTUNITY COUNCIL, INC.  
AND AFFILIATES**

**Consolidated Statement of Functional Expenses**

Year Ended June 30, 2020

	<i>Program Services</i>						<i>Balance Forward</i>
	<i>Housing</i>	<i>Open Pantry Community Services, Inc.</i>	<i>Education and Child Care</i>	<i>Domestic Violence</i>	<i>Substance Abuse</i>	<i>Energy and Financial Assistance</i>	
<b>Expenses and losses:</b>							
Salaries and wages	\$ 2,723,939	\$ 854,603	\$ 5,827,075	\$ 720,791	\$ 3,055,719	\$ 1,960,996	\$ 15,143,123
Employee benefits and payroll taxes	823,746	267,960	1,813,881	226,200	930,779	613,543	4,676,109
<b>Total salaries and related expenses</b>	<b>3,547,685</b>	<b>1,122,563</b>	<b>7,640,956</b>	<b>946,991</b>	<b>3,986,498</b>	<b>2,574,539</b>	<b>19,819,232</b>
Client assistance	1,309,766	35,064	1,431	13,113	171,292	36,938,079	38,468,745
Professional fees and contracted services	211,311	104,144	1,481,960	18,097	54,174	54,465	1,924,151
Occupancy	3,859,197	141,158	804,659	83,760	956,647	181,360	6,026,781
Equipment expenses	33,215	10,586	84,036	5,675	129,807	42,385	305,704
Dietary	2,830	26,272	347,083	5,476	129,570	228,099	739,330
Donated goods and services	-	458,322	277,869	-	45,018	-	781,209
Transportation	197,675	37,517	110,863	14,260	55,868	25,416	441,599
Supplies	666,736	54,504	342,245	22,435	115,188	4,956,759	6,157,867
Telephone	113,135	17,143	40,587	10,210	113,519	22,419	317,013
Insurance	640,030	18,383	71,771	10,362	38,160	41,263	819,969
Advertising	840	191	3,596	273	366	31,866	37,132
Training	2,020	1,725	31,333	15,029	12,093	336,209	398,409
Interest expense	1,900,479	3,529	610	-	3,615	4,135	1,912,368
Bad debt expense	891,476	-	-	-	10,401	-	901,877
Other	3,088	122	455	-	-	997	4,662
Fundraising	-	-	-	-	-	-	-
Management fees	-	-	-	-	-	-	-
Eliminating entries	(3,174,744)	(203,171)	-	-	-	-	(3,377,915)
<b>Expenses and losses before depreciation and amortization</b>	<b>10,204,739</b>	<b>1,828,052</b>	<b>11,239,454</b>	<b>1,145,681</b>	<b>5,822,216</b>	<b>45,437,991</b>	<b>75,678,133</b>
Depreciation and amortization	2,686,366	3,869	-	-	2,298	-	2,692,533
<b>Total expenses</b>	<b>\$ 12,891,105</b>	<b>\$ 1,831,921</b>	<b>\$ 11,239,454</b>	<b>\$ 1,145,681</b>	<b>\$ 5,824,514</b>	<b>\$ 45,437,991</b>	<b>\$ 78,370,666</b>

**SOUTH MIDDLESEX OPPORTUNITY COUNCIL, INC.  
AND AFFILIATES**

**Consolidated Statement of Functional Expenses...continued**

Year Ended June 30, 2020

	<u>Program Services</u>					<u>Supporting Services</u>		<u>Total</u>
	<u>Balance Forward</u>	<u>Transitional Housing</u>	<u>Employment and Training</u>	<u>Mental Health Services</u>	<u>Nutrition</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
<b>Expenses and losses:</b>								
Salaries and wages	\$ 15,143,123	\$ 5,117,935	\$ 628,722	\$ 2,823,012	\$ 1,245,246	\$ 3,083,676	\$ 56,003	\$ 28,097,717
Employee benefits and payroll taxes	4,676,109	1,587,794	196,321	651,996	351,005	370,818	17,321	7,851,364
<b>Total salaries and related expenses</b>	<b>19,819,232</b>	<b>6,705,729</b>	<b>825,043</b>	<b>3,475,008</b>	<b>1,596,251</b>	<b>3,454,494</b>	<b>73,324</b>	<b>35,949,081</b>
Client assistance	38,468,745	2,434,029	51,990	280	130,347	16,091	-	41,101,482
Professional fees and contracted services	1,924,151	368,211	143,887	129,726	57,706	534,881	7,500	3,166,062
Occupancy	6,026,781	4,290,456	178,000	535,167	213,116	140,171	11,356	11,395,047
Equipment expenses	305,704	89,380	16,709	29,414	1,739	48,309	785	492,040
Dietary	739,330	103,974	6,037	5,396	4,128	21,947	416	881,228
Donated goods and services	781,209	288,369	-	-	-	-	-	1,069,578
Transportation	441,599	143,313	29,071	11,000	3,922	13,570	-	642,475
Supplies	6,157,867	327,815	131,195	52,634	77,389	410,433	6,454	7,163,787
Telephone	317,013	148,202	9,609	44,153	130,793	35,258	84	685,112
Insurance	819,969	97,608	9,189	38,523	15,586	33,612	632	1,015,119
Advertising	37,132	6,518	892	13,113	25	10,507	976	69,163
Training	398,409	8,941	33,249	6,120	205	5,209	950	453,083
Interest expense	1,912,368	1,922	4,409	-	-	159,208	-	2,077,907
Bad debt expense	901,877	-	-	-	-	356	-	902,233
Other	4,662	3,255	-	650	212	39,686	385	48,850
Fundraising	-	-	-	-	-	-	37,763	37,763
Management fees	-	-	-	-	-	5,341,226	-	5,341,226
Eliminating entries	(3,377,915)	(4,105)	(333,950)	(81,754)	-	(5,353,241)	-	(9,150,965)
<b>Expenses and losses before depreciation and amortization</b>	<b>75,678,133</b>	<b>15,013,617</b>	<b>1,105,330</b>	<b>4,259,430</b>	<b>2,231,419</b>	<b>4,911,717</b>	<b>140,625</b>	<b>103,340,271</b>
Depreciation and amortization	2,692,533	120,794	-	-	-	178,101	-	2,991,428
<b>Total expenses</b>	<b>\$ 78,370,666</b>	<b>\$ 15,134,411</b>	<b>\$ 1,105,330</b>	<b>\$ 4,259,430</b>	<b>\$ 2,231,419</b>	<b>\$ 5,089,818</b>	<b>\$ 140,625</b>	<b>\$ 106,331,699</b>

**SOUTH MIDDLESEX OPPORTUNITY COUNCIL, INC.  
AND AFFILIATES**

**Consolidated Statements of Cash Flows**

Years Ended June 30,

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 3,326,343	\$ 1,856,630
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,185,529	2,991,428
(Gain) loss on sale/disposal of property	(1,124,544)	22,096
Gain on investments	(96,272)	(6,460)
Changes in:		
Accounts receivable	(1,770,710)	(599,129)
Prepaid expenses, deposits and other assets	(82,288)	643,771
Notes receivable	-	4,306
Due from related party	-	151,191
Accounts payable	(1,796,476)	654,500
Accrued expenses	(44,988)	896,888
Refundable advances	2,884,310	1,954,191
Other liabilities	(12,844)	(16,422)
Home modification loan program pool payable	275,964	(2,120,134)
<b>Net cash provided by operating activities</b>	<b><u>4,744,024</u></b>	<b><u>6,432,856</u></b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(2,816,199)	(834,006)
Proceeds from sale of property and equipment	1,124,544	282,915
Construction in progress costs incurred	(3,477,904)	(4,110,858)
Sales/(purchases) of certificates of deposit	84,204	(1,272,786)
Interest earned on certificates of deposit	(4,025)	(2,268)
Sales/(purchases) of investments	(10,433)	4,538
<b>Net cash used in investing activities</b>	<b><u>(5,099,813)</u></b>	<b><u>(5,932,465)</u></b>
<b>Cash flows from financing activities:</b>		
Repayment of obligations under capital leases	(124,469)	(132,766)
Proceeds from mortgage notes payable	14,285,488	4,076,217
Repayment of mortgage notes payable	(798,146)	(1,279,352)
Net repayments on revolving line of credit	(2,243,058)	(2,260,228)
Mortgage acquisition costs incurred	(546,712)	(18,615)
<b>Net cash provided by financing activities</b>	<b><u>10,573,103</u></b>	<b><u>385,256</u></b>
<b>Net change in cash and cash equivalents</b>	<b>10,217,314</b>	<b>885,647</b>
Cash and cash equivalents and restricted cash, beginning of year	9,848,612	8,962,965
<b>Cash and cash equivalents and restricted cash, end of year</b>	<b><u>\$ 20,065,926</u></b>	<b><u>\$ 9,848,612</u></b>
Cash and cash equivalents	17,020,840	6,936,937
Restricted cash	779,772	922,325
Restricted cash, Home modification program	2,265,314	1,989,350
<b>Total cash, cash equivalents and restricted cash</b>	<b><u>\$ 20,065,926</u></b>	<b><u>\$ 9,848,612</u></b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	\$ 2,405,916	\$ 2,095,909
Capital lease obligations incurred for use of equipment	\$ 109,935	\$ 323,029
Construction in progress costs incurred remaining in accounts payable	\$ 8,860	\$ 1,241,302

See accompanying notes to the consolidated financial statements.

**SOUTH MIDDLESEX OPPORTUNITY COUNCIL, INC.  
AND AFFILIATES**

***Notes to Consolidated Financial Statements***

***Note 1 - Nature of Activities and Significant Accounting Policies***

***Nature of Activities***

South Middlesex Opportunity Council, Inc. and Affiliates (collectively the "Organization") are dedicated to supporting the improvement of the quality of life for low-income residents of the South Middlesex area of Massachusetts and the greater community at large.

A summary of the Organization's significant accounting policies follows:

***Associated Entities and Consolidation***

The Organization consolidates the financial statements of South Middlesex Opportunity Council, Inc. ("SMOC"), South Middlesex Non-Profit Housing Corporation, Inc., South Middlesex Opportunity Properties, Inc., Worcester Public Inebriate Program, Inc., P.I.P. Foundation, Inc., Open Pantry Community Services, Inc., Freedom Village LLC, the Martin Luther King, Jr. Business Empowerment Center, Chandler 237 Realty, Inc. and Lowell Transitional Living Center, Inc. All of the entities have been organized as not-for-profit organizations except for the LLC which for tax purposes is a disregarded entity due to ownership by the Organization which in effect makes its activities exempt as well. These entities are under common management and control and significant intercompany account balances and transactions have been eliminated in consolidation.

***Financial Statement Presentation***

The consolidated financial statements have been presented on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America, which required the Organization report information regarding its financial policies and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions represent the portion of net assets of the Organization that is available for general use and not subject to donor restrictions. Net assets without donor restrictions also include investment in property, plant and equipment, net of accumulated depreciation and related debt obligations.

Net assets with donor restrictions represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

**SOUTH MIDDLESEX OPPORTUNITY COUNCIL, INC.  
AND AFFILIATES**

***Notes to Consolidated Financial Statements***

***Note 1 - Nature of Activities and Significant Accounting Policies (Continued)***

***Cash and Cash Equivalents***

The Organization defines cash equivalents as short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are reported at cost plus earned interest. Cash and cash equivalents held by investment managers are considered part of investments given the expectation of near-term reinvestment. The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

***Certificates of Deposit***

The Organization has fixed rate certificates of deposit with banks with maturities at purchase of more than three months. The certificates of deposit are valued at cost plus accrued interest.

***Restricted Cash and Restricted Cash - Home Modification Loan Program***

Restricted cash represents escrow accounts associated with financing arrangements, tenant security deposits and funds held for clients. Restricted cash - Home Modification Loan Program ("HMP") represents cash associated with the program. These amounts are carried at cost.

***Accounts Receivable***

Accounts receivable are reported at their net realizable value. Accounts receivable consist mainly of accounts receivable from contracts and grants receivable from state and local governments and third-party payors. Contracts and grants receivable are carried at the original invoice amount. Accounts receivable where a third-party payor is responsible for paying the amount are carried at the original charge for the service provided.

Management estimates the allowance for doubtful accounts based on history of collections and knowledge acquired about specific terms. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. An account is considered uncollectible when all efforts to collect the account have been exhausted. Interest is not charged on accounts receivable.

***Investments***

Investments are reported at fair value in accordance with the fair value standards of accounting. Fair value is determined as per the fair value policies below. The investment objective of the Organization is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to increase investment values after inflation.

**SOUTH MIDDLESEX OPPORTUNITY COUNCIL, INC.  
AND AFFILIATES**

***Notes to Consolidated Financial Statements***

***Note 1 - Nature of Activities and Significant Accounting Policies (Continued)***

***Fair Value Measurements***

The Organization reports certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Items reported at fair value on a recurring basis include the Organization's investments.

The fair value standards require that for each item carried at fair value that such be disclosed in accordance with the valuation methods used which fall into three categories as follows:

Level 1 – inputs are quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at measurement date.

Level 2 – inputs are other than quoted prices included in Level 1 that are either directly or indirectly observable.

Level 3 – inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level of input that is significant to the fair value measurement in its entirety.

It is possible that redemption rights may be restricted or eliminated by investment managers in the future in accordance with the underlying fund agreements. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observable inputs and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements.

***Other Assets***

Other assets primarily consist of advances to Bixby Road 19, LLC ("Bixby"), an unconsolidated related party for construction costs, developer fees, overhead and operating advances for a property. SMOC is the sponsor of the LLC. The property houses one of the Organization's programs. The advances are due annually based on net cash flows. Amounts due to the Organization from Bixby totaled \$2,093,840 and \$2,075,865 at June 30, 2021 and 2020, respectively. All outstanding amounts are due on the earlier to occur of August 2030, the liquidation of Bixby or the removal of the Managing Member of Bixby. Interest is not charged on the advances.

**SOUTH MIDDLESEX OPPORTUNITY COUNCIL, INC.  
AND AFFILIATES**

***Notes to Consolidated Financial Statements***

***Note 1 - Nature of Activities and Significant Accounting Policies (Continued)***

***Notes Receivable***

Notes receivable consist of zero interest loans due from participants through the Micro-Loan Program. The Micro-Loan Program lends start-up funds to small local businesses. When the loans are repaid, the funds are put back into the pool for potential new loans.

***Home Modification Loan Program Receivable, Program Advances and Loan Pool Payable***

Home modification loan program receivable consists of loans funded to qualified low income individuals to complete property repairs and renovations. The Organization administers this program for the Community Economic Development Assistance Corporation ("CEDAC"). When the loans are repaid, the funds are put back into the loan pool payable for potential new loans. The Organization carries no risk of loss on this program. If a borrower cannot repay the loan, CEDAC absorbs the loss. There is a corresponding liability due to CEDAC included in Home Modification Loan Program advances payable on the consolidated statements of financial position.

***Property, Plant and Equipment***

Property, plant and equipment are recorded at cost when such amounts are above management's threshold for capitalization and have a useful life of one year or more or, if received by donation, at estimated fair market value at the time such properties were received. Fair value of donated property, plant and equipment uses a Level 3 market approach as described elsewhere in this section.

Depreciation and amortization are provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

	<b>Years</b>
Buildings and building improvements	20-40
Leasehold improvements	3-35
Motor vehicles	5
Furnishings and equipment	3-10

Expenditures for major renewals and improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred. Furniture, equipment and improvements purchased under contracts and grants are capitalized as acquired. Costs associated with the construction of major projects are accumulated in construction in process until completion. The completed asset is then depreciated over its estimated useful life after being placed in service.

Management is unaware of any liabilities related to asset retirement or environmental obligations related to its property and plant. The Organization will recognize a liability in the period in which sufficient information is available to reasonably estimate the obligation.

**SOUTH MIDDLESEX OPPORTUNITY COUNCIL, INC.  
AND AFFILIATES**

***Notes to Consolidated Financial Statements***

***Note 1 - Nature of Activities and Significant Accounting Policies (Continued)***

***Investment in Affiliate***

The Organization entered into a joint venture LLC with other behavioral health entities for the purpose of facilitating patient care coordination to facilitate the efficient and appropriate delivery of behavioral health services to the Metro West area. The Organization has invested \$25,000 to date and the entity commenced operations in 2018. The Organization accounts for this activity under the cost method.

***Mortgage Notes Payable***

Mortgage notes payable are reported at the remaining unpaid amounts under the related debt issue, net of any issuance costs. The Organization incurs issuance costs, including bank and professional fees, in connection with certain financing arrangements. These costs are capitalized and are amortized on a straight-line method over twenty years, which has been determined by the Organization to be a reasonable average life for their debt.

***Refundable Advances***

Refundable advances represents advances on rent payments from funding sources as well as the amount of unearned related services that are in progress as of year-end related to the Organization's programs. Such amounts are reflected as revenue ratably over time with such amounts generally being recognized on a current basis given the nature and duration of the underlying services being provided.

***Revenue Recognition***

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. The Organization has both earned revenues and contributed revenues.

***Earned Revenue***

Earned revenues are considered exchange transactions and are measured via a principles-based process that requires the entities: 1) identify the contract with the customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when (or as) performance obligations are satisfied. Exchange transaction revenues are under arrangements that are one year or less in length. Exchange transactions include the following:

Third-party billings revenue (primarily Medicare, Medicaid, MBHP, and Private Insurance) is reported at the estimated net realizable amounts due from patients, third-party payors and others for services rendered and is recorded when performance obligations are satisfied which is generally as services are rendered. Management does not consider there to be significant judgement involved in the timing of satisfaction of performance obligations as those are linked to



**SOUTH MIDDLESEX OPPORTUNITY COUNCIL, INC.  
AND AFFILIATES**

***Notes to Consolidated Financial Statements***

***Note 1 - Nature of Activities and Significant Accounting Policies (Continued)***

***Revenue Recognition (Continued)***

***Earned Revenue (Continued)***

the service performed. Under the terms of various agreements, regulations and statutes, certain elements of third-party reimbursements to the Organization are subject to negotiation, audit, and/or final determination by third-party payors. Third-party insurance companies are billed on a monthly basis.

Rental income consists of payments collected from tenants. Revenue is recorded associated with the period of occupancy to which the payment relates. Payments received in advance are deferred until earned.

***Contributed Support***

Contract and grant revenue are considered contributed support and consist of cost-reimbursement and unit rate grants from federal, state and local agencies. In the case of the Organization, these are further considered to be conditional contributions in that a barrier to entitlement must be met prior to the Organization having a right to the related resources. The Organization recognizes revenue when it has met the barrier to entitlement such as meeting a service delivery requirement, matching provision or incurring specified qualifying expenses in accordance with a framework of allowable costs or other barriers as stipulated in the grants and contracts such as performance requirements and/or the incurrence of allowable qualifying expenses. The Organization bills funding sources primarily on a monthly basis following the month in which expenses have incurred or services rendered to a client subject to the limits provided for in those grants and contracts. If amounts are received in advance of meeting a barrier to entitlement, such amounts are considered refundable advances.

Contributions including unconditional promises to give, are recorded as revenues as either without or with donor restrictions in the period verifiably committed by the donor. Contributions of assets other than cash are recorded at their estimated fair value. Contributions with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with donor restrictions and reclassified to net assets without donor restrictions and reported as "net assets released from restrictions" when such time or purpose restrictions have been satisfied. Conditional contributions are recorded when conditions are met which primarily relates to grants and contracts as noted above.

Contributions of land, buildings and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net assets without donor restrictions class. Contributions of cash or other assets to be used to acquire land, buildings and equipment with donor stipulations are reported as revenues of the net assets with donor restrictions class; the restrictions are considered to be released at the time of acquisition of such long-lived assets. The Organization receives support in the form of donated services recorded using a Level 3 fair value methodology. Contributions of services are reported as without donor restrictions revenues and

**SOUTH MIDDLESEX OPPORTUNITY COUNCIL, INC.  
AND AFFILIATES**

***Notes to Consolidated Financial Statements***

***Note 1 - Nature of Activities and Significant Accounting Policies (Continued)***

***Revenue Recognition (Continued)***

***Contributed Support (Continued)***

expenses at the fair value of the services received only if the services create or enhance a non-financial asset or would typically need to be purchased by the Organization if they had not been provided by individuals with those skills. Contributions of goods and space to be used in program operations are reported as without donor restrictions revenues and expenses at the time the goods or space is received. Donated goods and services are included in contributions on the consolidated statements of activities.

***Investment Return***

Net investment return is reported in the consolidated statements of activities and consists of interest and dividend income and realized and unrealized capital gains and losses, less external and direct investment expenses.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Functional Allocation of Expenses***

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail by function. Expenses related directly to a program are distributed to that program while other expenses are allocated to functional classifications based on percentage of effort, usage, square footage and other criteria as determined by management. Interest expense is allocated to functional classifications that benefited from the use of proceeds of debt. Expenses are reported as decreases in net assets without donor restrictions.

***Income Tax Status***

The Organization and related corporations (other than the LLC) are organized under Section 501(c)(3) of the Internal Revenue Code and are generally exempt from Federal and state income taxes on related income.

**SOUTH MIDDLESEX OPPORTUNITY COUNCIL, INC.  
AND AFFILIATES**

***Notes to Consolidated Financial Statements***

***Note 1 - Nature of Activities and Significant Accounting Policies (Continued)***

***Uncertain Tax Positions***

The Organization accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. Interest and penalties assessed, if any, are accrued as income tax expense. The Organization has identified its tax status as a tax-exempt entity and its determination as to its income being related or unrelated as its only significant tax positions. However, the Organization has determined that such tax positions do not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction. The Organization’s Federal and state tax returns are generally open for examination for three years following the date filed.

***Reclassifications***

Certain reclassifications have been made to the 2020 consolidated financial statements to conform to the presentation used in 2021. These reclassifications had no effect on the reported change in net assets.

***Future Accounting Pronouncements***

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-02, *Leases*, which requires a lessee to recognize a right-of-use asset and a lease liability for all leases, initially measured at the present value of the lease payments, in its statement of financial position. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The standard is effective for fiscal year ending June 30, 2023 for the Organization. The Organization is evaluating the impact this will have on the consolidated financial statements.

Management believes that other pending accounting standards will be of limited impact.

***Subsequent Events***

The Organization evaluated subsequent events through March 9, 2022, the date the consolidated financial statements were available to be issued.

**SOUTH MIDDLESEX OPPORTUNITY COUNCIL, INC.  
AND AFFILIATES**

***Notes to Consolidated Financial Statements***

***Note 2 - Liquidity and Availability***

The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, certificates of deposit and lines of credit.

In addition to financial assets available to meet general expenditures over the next twelve months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted funds. Refer to the consolidated statements of cash flows which identify the sources and uses of the Organization's cash and show positive cash generated by operations for the years ended June 30, 2021 and 2020.

The following table shows the amounts held by the Organization that could readily be made available within one year of the consolidated statement of financial position date to meet general expenditures:

	<b>2021</b>	<b>2020</b>
Cash and equivalents	\$ 17,020,840	\$ 6,936,937
Certificates of deposit	2,333,588	1,225,183
Accounts receivable	11,477,531	9,706,821
Investments	<u>560,342</u>	<u>453,637</u>
	<b><u>\$ 31,392,301</u></b>	<b><u>\$ 18,322,578</u></b>

***Note 3 - Related Party Transactions***

The corporate clerk of the Organization (non-voting) is a partner in a law firm that represents the Organization. The Organization incurred fees of approximately \$342,000 and \$325,000 during 2021 and 2020, respectively. In addition, the law firm provided donated services in its capacity as general counsel to the Organization totaling \$200,000 and \$30,600 during 2021 and 2020, respectively. Amounts included in accrued expenses and accounts payable relating to these transactions totaled \$211,000 and \$209,000 as of June 30, 2021 and 2020, respectively.

A member of the Organization's board of directors is an employee of a family owned insurance agency that is a member of a consortium, which provides services to the Organization. The Organization incurred approximately \$449,000 and \$664,000 in insurance expense for policies serviced by the consortium during 2021 and 2020, respectively.

**SOUTH MIDDLESEX OPPORTUNITY COUNCIL, INC.  
AND AFFILIATES**

***Notes to Consolidated Financial Statements***

***Note 4 - Investments***

Investments consist of the following as of June 30:

	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 23,877	\$ 28,139
Exchange traded products	11,886	-
Equity securities	353,513	277,170
Debt securities	171,066	148,328
	<b>\$ 560,342</b>	<b>\$ 453,637</b>

All investments are considered Level 1 investments in the fair value hierarchy as discussed in Note 1.

Investment gains were \$96,349 and \$6,460 for the years ended June 30, 2021 and 2020, respectively.

***Note 5 - Property, Plant and Equipment***

Following is a summary as of June 30:

	<b>2021</b>	<b>2020</b>
Land	\$ 12,823,138	\$ 12,823,138
Buildings and building improvements	96,077,198	93,369,563
Leasehold improvements	2,517,515	2,413,210
Furnishings and equipment	3,941,380	3,921,435
Motor vehicles	1,111,429	1,002,350
	116,470,660	113,529,696
Less: accumulated depreciation and amortization	36,294,604	33,305,639
	<b>\$ 80,176,056</b>	<b>\$ 80,224,057</b>

***Note 6 - Construction in Progress***

As of June 30, 2021, the Organization is in the process of renovating 16 properties for various programs. The sites are in various stages of completion. As of June 30, 2021, costs of approximately \$6,824,000 have been incurred. The estimated cost to complete the projects is \$3,146,000. As of June 30, 2020, costs of approximately \$3,352,000 had been incurred and the estimated cost to complete the project was \$2,733,000.

**SOUTH MIDDLESEX OPPORTUNITY COUNCIL, INC.  
AND AFFILIATES**

***Notes to Consolidated Financial Statements***

**Note 7 - Mortgage Notes Payable**

Mortgage notes payable are as follows at June 30:

	<b>2021</b>	<b>2020</b>
<p>Various mortgage notes payable to financial institutions in monthly installments totaling \$292,239, including interest at rates ranging from 3.0% to 6.4%, with balloon payments totaling \$40,632,195, due on various dates ranging from 2022 to 2045. The notes are secured by first, second, third and fourth mortgages on real property. The Organization intends to refinance the balloon payments and continue the 20-30 year amortization schedules.</p>	\$ 59,764,942	\$ 46,287,500
<p>Non-interest bearing mortgage notes payable on dates ranging from 2029 to 2063. No principal is due on these notes prior to those dates. The notes are secured by mortgages on real property.</p>	<u>22,086,086</u>	<u>22,085,296</u>
<p>Total mortgage notes payable</p> <p>Less: current portion of mortgage notes payable</p> <p>Less: mortgage acquisition costs</p> <p>Plus: accumulated amortization</p>	<p>81,851,028</p> <p>(2,506,531)</p> <p>(3,318,893)</p> <p><u>1,818,182</u></p>	<p>68,372,796</p> <p>(1,435,690)</p> <p>(2,781,291)</p> <p><u>1,615,648</u></p>
<b>Total</b>	<b>\$ <u>77,843,786</u></b>	<b>\$ <u>65,771,463</u></b>

Maturities of mortgage notes payable mature as follows as of June 30, 2021:

	<b>Total</b>	<b>Balloon Payments</b>	<b>Annual Payments</b>
2022	\$ 2,506,531	\$ 2,288,187	\$ 218,344
2023	1,674,998	1,452,431	222,567
2024	1,716,803	1,525,949	190,854
2025	1,769,026	1,588,420	180,606
2026	1,643,615	1,454,453	189,162
Thereafter	<u>72,540,055</u>	<u>70,098,113</u>	<u>2,441,942</u>
	<b>\$ <u>81,851,028</u></b>	<b>\$ <u>78,407,553</u></b>	<b>\$ <u>3,443,475</u></b>

**SOUTH MIDDLESEX OPPORTUNITY COUNCIL, INC.  
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***Notes to Consolidated Financial Statements***

***Note 8 - Obligations Under Capital Leases***

The Organization leased motor vehicles and office equipment under capital leases that expire at various times throughout 2022 and 2026. The assets and liabilities under capital leases have been recorded at the present value of the minimum lease payments which is equivalent to the fair value of the asset. The assets are amortized over their estimated lives.

Leased property under the capital lease was as follows as of June 30:

	<b>2021</b>	<b>2020</b>
Motor vehicles	\$ 778,926	\$ 685,098
Less: accumulated depreciation	<u>(495,558)</u>	<u>(361,227)</u>
	<b><u>\$ 283,368</u></b>	<b><u>\$ 323,871</u></b>

Capital lease obligations are due as follows for the years ending June 30:

2022	\$ 124,163
2023	101,199
2024	74,340
2025	47,420
2026	<u>10,925</u>
	<b><u>\$ 358,047</u></b>

***Note 9 - Lines of Credit***

The Organization has a commercial revolving line of credit agreement with a bank in the amount of \$7,500,000 that expires on January 31, 2022 and is renewed annually at the bank's discretion. Interest is calculated at the bank's prime lending rate plus 0.25% with a floor of 4.25% (4.25% as of June 30, 2021). The floor and interest rate was 4% at June 30, 2020. The line is secured by all business assets.

The Organization had a development/construction revolving line of credit agreement with a bank in the amount of \$2,750,000. The outstanding balance of \$832,596 of the line of credit was repaid on May 11, 2021. The line of credit expired in May of 2021 and was not renewed.

The Organization has a commercial revolving line of credit with six banks participating within the Organization's Financial Services program with the combined amount of \$500,000. Interest is calculated at 2.00%. The agreement does not specify an expiration date.

**SOUTH MIDDLESEX OPPORTUNITY COUNCIL, INC.  
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***Notes to Consolidated Financial Statements***

**Note 9 - Lines of Credit (Continued)**

Outstanding balances on the lines of credit are as follows as of June 30:

	<b>2021</b>	<b>2020</b>
Development/construction line of credit	\$ -	\$ 2,228,058
SMOC Financial Services Program	<u>484,497</u>	<u>499,497</u>
	<b><u>\$ 484,497</u></b>	<b><u>\$ 2,727,555</u></b>

**Note 10 - Operating Leases**

***Buildings***

The Organization leases facilities under operating leases expiring at various dates through 2029, as well as under tenant-at-will agreements. Included in occupancy expenses is rental expense of \$3,082,605 and \$3,276,484 for the years ended June 30, 2021 and 2020, respectively.

***Equipment***

The Organization leases equipment under operating leases expiring at various dates through 2022. Included in equipment expenses is equipment rental expense totaling \$74,237 and \$85,638 for the years ended June 30, 2021 and 2020, respectively.

Future minimum rental payments under building and equipment leases are as follows at June 30:

	<b><i>Buildings</i></b>	<b><i>Equipment</i></b>	<b><i>Total</i></b>
2022	\$ 558,019	\$ 28,358	\$ 586,377
2023	531,443	21,017	552,460
2024	376,308	8,563	384,871
2025	313,068	3,335	316,403
2026	186,588	-	186,588
Thereafter	<u>534,990</u>	<u>-</u>	<u>534,990</u>
	<b><u>\$ 2,500,416</u></b>	<b><u>\$ 61,273</u></b>	<b><u>\$ 2,561,689</u></b>



**SOUTH MIDDLESEX OPPORTUNITY COUNCIL, INC.  
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***Notes to Consolidated Financial Statements***

**Note 11 - Net Assets**

Following is a summary of net assets without donor restrictions as of June 30:

	<b>2021</b>	<b>2020</b>
Operating - undesignated	\$ 19,042,429	\$ 6,428,370
Net investment in property and equipment	<u>5,907,132</u>	<u>15,605,860</u>
<b>Total net assets without donor restrictions</b>	<b><u>\$ 24,949,561</u></b>	<b><u>\$ 22,034,230</u></b>

Following is a summary of net assets with donor restrictions as of June 30:

	<b>2021</b>	<b>2020</b>
Advances on a \$385,600 non-interest bearing construction loan payable to HUD. Upon completion of the project, the construction loan converted to a non-interest bearing mortgage note payable due in September 2033. Repayment of this loan will be waived if very low income individuals occupy the building through this date. The note is secured by a mortgage on real property.	\$ 385,600	\$ 385,600
Grant in support of specific program needs.	1,534,568	1,266,938
Grant in support of equipment and capital projects.	<u>143,382</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 2,063,550</u></b>	<b><u>\$ 1,652,538</u></b>

Net assets released from restriction totaling \$2,262,060 and \$1,567,493 for the years ended June 30, 2021 and 2020, respectively, relates to satisfying the requirements under the award requirements and the time release under a program grant.

**Note 12 - Retirement Plan**

The Organization has a qualified tax deferred annuity plan as described in IRS Code Section 403(b) covering all eligible employees beginning upon their first full month of service. The plan allows the Organization to make discretionary contributions, as determined by the board of directors, subject to IRS limitations. Retirement expense under the plan was \$230,363 and \$219,314 for the years ended June 30, 2021 and 2020, respectively.

**SOUTH MIDDLESEX OPPORTUNITY COUNCIL, INC.  
AND AFFILIATES**

***Notes to Consolidated Financial Statements***

***Note 13 - Commitments and Contingencies***

The Organization is involved in legal proceedings, claims and disputes which arise in the ordinary course of business. In management's opinion, these matters will not have a material adverse effect on the financial position of the Organization.

The Organization has elected to pay for the costs of unemployment compensation by reimbursing the Commonwealth of Massachusetts for unemployment compensation paid. The Organization has estimated and accrued approximately \$279,000 and \$203,000 as of June 30, 2021 and 2020, respectively, for claims incurred prior to year-end but not paid by those dates.

The Organization is subject to the regulations and rate formulas of the Massachusetts Executive Office for Administration and Finance Operational Services Division. Revenue is recorded by the individual programs either at the rate approved under negotiated contracts or at the rate of reimbursement as certified by the Massachusetts Operational Services Division. Excess of revenue over expenses from Commonwealth of Massachusetts supported programs, up to certain defined limits, can be utilized by the Organization for expenditures in accordance with its exempt purposes provided such expenditures are reimbursable under the Operational Services Division regulations. Amounts in excess of these limits are subject to negotiated use or potential recoupment and are reported as a liability.

Certain contracts, grants and subsidies may be subject to audit by the funding sources. Such audits might result in the disallowance of costs submitted for reimbursement. Management is of the opinion that such cost allowances, if any, will not have a material effect on the accompanying consolidated financial statements. Accordingly, no amounts have been provided in the accompanying consolidated financial statements for such potential disallowances.