

FRIENDS OF BOSTON'S HOMELESS, INC.

Financial Statements
for years ended
June 30, 2012 and 2011

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Independent Auditors' Report

To the Board of Directors
of Friends of Boston's Homeless, Inc.

We have audited the statement of financial position of Friends of Boston's Homeless, Inc. (a nonprofit organization) at June 30, 2012 and 2011 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of Boston's Homeless, Inc. (a nonprofit organization) at June 30, 2012 and 2011 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

PKF, P.C.

October 19, 2012

FRIENDS OF BOSTON'S HOMELESS, INC.

Statement of Financial Position

	June 30	
	<u>2012</u>	<u>2011</u>
Assets		
Cash and cash equivalents	\$ 49,884	\$ 4,504
Certificates of deposit	159,112	158,882
Grant receivable	5,520	24,877
Unconditional promises to give	24,747	-
Prepaid expenses	-	1,000
Cash restricted for 12-14 Wise Street	22,812	35,145
Cash restricted for programs and grants	<u>18,345</u>	<u>-</u>
Total assets	<u>\$ 280,420</u>	<u>\$ 224,408</u>
Liabilities		
Accounts payable	\$ 14,223	\$ -
Grants payable	48,055	49,495
Due to affiliate	<u>349</u>	<u>349</u>
Total liabilities	<u>62,627</u>	<u>49,844</u>
Commitments		
Net assets		
Unrestricted	176,636	139,419
Temporarily restricted	<u>41,157</u>	<u>35,145</u>
Total net assets	<u>217,793</u>	<u>174,564</u>
Total liabilities and net assets	<u>\$ 280,420</u>	<u>\$ 224,408</u>

FRIENDS OF BOSTON'S HOMELESS, INC.

Statement of Activities

	Year Ended June 30	
	2012	2011
Unrestricted net assets		
Public support and revenue		
Special events	\$ 315,986	\$ 233,435
Contributions and grants	296,662	208,310
Donated goods and services		
Special events	173,135	174,266
Other	70,880	24,155
Holiday cards – net	17,058	17,068
Investment income	251	1,112
Net assets released from restrictions		
Restrictions satisfied by payments	12,333	–
Total public support and revenue	886,305	658,346
Expenses		
Program services	329,976	291,854
Special events	291,057	234,086
Supporting services		
Fund-raising	143,511	85,177
Management and general	84,544	70,454
Total expenses	849,088	681,571
Change in unrestricted net assets	37,217	(23,225)
Temporarily restricted net assets		
Contributions received	18,345	–
Restrictions satisfied by payments	(12,333)	–
Change in temporarily restricted net assets	6,012	–
Change in net assets	43,229	(23,225)
Net assets at beginning of year	174,564	197,789
Net assets at end of year	\$ 217,793	\$ 174,564

FRIENDS OF BOSTON'S HOMELESS, INC.

Statement of Cash Flows

	Year Ended June 30	
	2012	2011
Operating activities		
Change in net assets	\$ 43,229	\$ (23,225)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Effect of changes in operating assets and liabilities		
Cash restricted for 12-14 Wise Street	12,333	-
Cash restricted for programs and grants	(18,345)	-
Grant receivable	19,357	(12,514)
Unconditional promises to give	(24,747)	-
Prepaid expenses	1,000	-
Grants payable	(1,440)	12,406
Accounts payable	14,223	-
Net cash provided (used) by operating activities	45,610	(23,333)
Investing activities		
Certificates of deposit including interest	(230)	(1,074)
Net cash used by investing activities	(230)	(1,074)
Net change in cash and cash equivalents	45,380	(24,407)
Cash and cash equivalents at beginning of year	4,504	28,911
Cash and cash equivalents at end of year	\$ 49,884	\$ 4,504

FRIENDS OF BOSTON'S HOMELESS, INC.

Notes to Financial Statements

Note 1 – Organization and nature of operations

Friends of Boston's Homeless, Inc. (the "Organization") is a non-profit corporation organized to provide financial assistance to the City of Boston's Homeless Services, a public health program of the Boston Public Health Commission, and to develop transitional and permanent affordable housing.

The Board of Directors and management of the Organization acknowledge that to the best of their ability all assets received by the Organization have been used for the purpose for which they were contributed or have been accumulated to allow management to conduct the operations of the Organization as effectively and efficiently as possible.

In addition to direct financial assistance to the City of Boston's Homeless Services, the Organization actively develops programs with the City of Boston's Homeless Services which are run on a stand-alone basis or by Homeless Services. In 2012 and 2011, the Organization helped obtain approximately \$450,000 and \$400,000, respectively, of donated goods and services.

Note 2 – Summary of significant accounting policies

Basis of presentation

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Donated materials and services

Some members of the Organization have donated significant amounts of time in furthering the Organization's programs and objectives. No amounts have been included in the financial statements for donated member or volunteer services inasmuch as no objective basis is available to measure the value of such services.

Donated materials and services from outside sources are recorded at fair market value at the date of donation based on estimates provided by the donors and are reflected in the financial statements as revenue and expenses. The Organization received donated printing, advertising, professional services, and other materials totaling \$243,985 and \$198,421 of which \$173,135 and \$174,266, respectively, were related to special events in 2012 and 2011.

Expense allocation

Expenses by function have been allocated among program and supporting service classifications on the basis of direct identification and on estimates made by the Organization's management. Allocated costs totaled \$164,546 and \$195,631 for 2012 and 2011, respectively.

FRIENDS OF BOSTON'S HOMELESS, INC.

Notes to Financial Statements

Classification of net assets

The Organization reports information regarding its financial position and activities according to two classes of net assets, defined as:

Unrestricted — net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations. The Organization may designate portions of its unrestricted net assets as board designated for various purposes.

Temporarily restricted — net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled or otherwise removed by actions of the Organization meeting the purpose of the restriction.

Promises to give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the Statement of Activities as net assets released from restrictions.

Cash equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2012 and 2011.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a). The Organization does not engage in any activities that would jeopardize its exempt status and has no uncertain tax positions. Accordingly, there is no provision for income taxes in these financial statements. The information returns of the Organization are subject to examination by the regulatory authorities generally for three years after they are filed.

Concentration of credit risk

The Organization maintains cash balances in banks which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2012, the Organization had no uninsured cash balances.

FRIENDS OF BOSTON'S HOMELESS, INC.

Notes to Financial Statements

Note 3 – Certificates of deposit

At June 30, 2012, the Organization had two certificates of deposit in the amounts of \$45,210 and \$113,903. The certificates bear interest at .50% per annum, and mature on November 11, 2013 and October 2, 2012, respectively.

Note 4 – Lines of credit

The Organization has credit cards with lines of credit with two banks in the total amount of \$26,500. There were no balances due at June 30, 2012 and 2011.

Note 5 – Temporarily restricted net assets

Temporarily restricted net assets consists of funds raised to support the 12-14 Wise Street Project in the amount of \$22,812, \$8,345 of funds for the HUES to Home Program and \$10,000 for the Wyman Re-entry Program.

The 12–14 Wise Street property is owned and operated by Friends Development Corporation, an affiliate. The property has been redeveloped into permanent affordable housing for formerly homeless individuals. Through a contract with City of Boston Homeless Services, the residents receive program support to maintain their sobriety while receiving job training and other support to help them live independently in the community.

Note 6 – Expenses

Expenses for the year ended June 30, 2012 consist of the following:

	<u>Program Services</u>	<u>Special Events</u>	<u>Fund- Raising</u>	<u>Management and General</u>	<u>Total</u>
Program contributions (note 7)	\$ 284,441				\$ 284,441
Special events direct costs		\$ 291,057			291,057
Salaries	44,239		\$ 88,479	\$ 44,239	176,957
Printing and photography			1,291	1,291	2,582
Professional fees				20,633	20,633
Postage			760	2,279	3,039
Office expenses	1,280		1,986	3,091	6,357
Insurance				1,290	1,290
Marketing			24,000		24,000
Consulting			25,000	10,000	35,000
Miscellaneous	<u>16</u>		<u>1,995</u>	<u>1,721</u>	<u>3,732</u>
Total expenses	<u>\$ 329,976</u>	<u>\$ 291,057</u>	<u>\$ 143,511</u>	<u>\$ 84,544</u>	<u>\$ 849,088</u>

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Notes to Financial Statements

Expenses for the year ended June 30, 2011 consist of the following:

	Program Services	Special Events	Fund- Raising	Management and General	Total
Program contributions (note 7)	\$ 250,853				\$ 250,853
Special events direct costs		\$ 234,086			234,086
Salaries	39,964		\$ 79,928	\$ 39,964	159,856
Printing and photography			470	470	940
Professional fees				20,679	20,679
Postage			1,120	3,359	4,479
Office expenses	1,037		1,282	2,674	4,993
Insurance				2,205	2,205
Miscellaneous			2,377	1,103	3,480
Total expenses	<u>\$ 291,854</u>	<u>\$ 234,086</u>	<u>\$ 85,177</u>	<u>\$ 70,454</u>	<u>\$ 681,571</u>

Note 7 – Program contributions

Public support and revenues were used for the following programs:

	2012	2011
Boston Public Health Homeless Services	\$ 196,237	\$ 164,956
Friends Development Corporation	<u>88,204</u>	<u>85,897</u>
Total program contributions	<u>\$ 284,441</u>	<u>\$ 250,853</u>

In fiscal 2012, Friends Development Corporation made a gift back to the Organization in the amount of \$10,000.

Note 8 – Related party transactions

Friends Development Corporation (FDC) is a non-profit affiliate related through common control of the Organization's management and governing board. The Organization provides management services and financial support to FDC.

Meredith Maintenance Corporation, an affiliate of the Organization's founder, pays the payroll and benefits of the Organization's employees for which it is reimbursed. The amounts included in expenses for 2012 and 2011 were approximately \$180,000 and \$178,000, respectively.

Meredith Management Corporation ("MMC"), an affiliate of the Organization's founder, received \$6,000 for accounting services in 2012 and 2011. In addition, MMC donated accounting services to the Organization estimated at \$4,000, for 2012 and 2011, which are included in professional fees.

Reference is also made to notes 5 and 9.

Note 9 – Commitments

The Organization has ongoing commitments to the Long Island Shelter and the Woods Mullen Shelter operated by the City of Boston's Homeless Services. In addition, the Organization is a guarantor of certain collateralized debts of Friends Development Corporation. At June 30, 2012, the debts subject to these guarantees totaled approximately \$714,000. The maturity date on the last outstanding debt guaranteed is February 27, 2032.

FRIENDS OF BOSTON'S HOMELESS, INC.

Notes to Financial Statements

Note 9 – Subsequent events

The Organization has evaluated events after the Statement of Financial Position date for recognition or disclosure in the financial statements through October 19, 2012, the date the financial statements were available to be issued.