

**FRIENDS OF BOSTON'S HOMELESS, INC.**

Financial Statements  
for years ended  
June 30, 2011 and 2010

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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, 2011 and 2010 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, 2011 and 2010 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.*

November 1, 2011

**FRIENDS OF BOSTON'S HOMELESS, INC.**

## Statement of Financial Position

	June 30	
	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 4,504	\$ 28,911
Certificates of deposit	158,882	157,808
Grant receivable	24,877	12,363
Prepaid expenses	1,000	1,000
Cash restricted for 12-14 Wise Street	<u>35,145</u>	<u>35,145</u>
Total assets	<u>\$ 224,408</u>	<u>\$ 235,227</u>
<b>Liabilities</b>		
Due to affiliate	\$ 349	\$ 349
Grants payable	<u>49,495</u>	<u>37,089</u>
Total liabilities	<u>49,844</u>	<u>37,438</u>
<b>Commitments</b>		
<b>Net assets</b>		
Unrestricted	139,419	162,644
Temporarily restricted	<u>35,145</u>	<u>35,145</u>
Total net assets	<u>174,564</u>	<u>197,789</u>
Total liabilities and net assets	<u>\$ 224,408</u>	<u>\$ 235,227</u>

**FRIENDS OF BOSTON'S HOMELESS, INC.**

Statement of Activities

	Year Ended June 30	
	2011	2010
Unrestricted net assets		
Public support and revenue		
Special events	\$ 233,435	\$ 236,119
Contributions and grants	208,310	152,233
Donated goods and services		
Special events	174,266	202,819
Other	24,155	15,500
Holiday cards – net	17,068	14,040
Investment income	1,112	3,738
Net assets released from restrictions		
Restrictions satisfied by payments	–	56,700
Total public support and revenue	658,346	681,149
Expenses		
Program services	291,854	287,356
Special events	234,086	250,699
Supporting services		
Fund-raising	85,177	81,534
Management and general	70,454	67,686
Total expenses	681,571	687,275
Change in unrestricted net assets	(23,225)	(6,126)
Temporarily restricted net assets		
Restrictions satisfied by payments	–	(56,700)
Change in temporarily restricted net assets	–	(56,700)
Change in net assets	(23,225)	(62,826)
Net assets at beginning of year	197,789	260,615
Net assets at end of year	\$ 174,564	\$ 197,789

**FRIENDS OF BOSTON'S HOMELESS, INC.**

Statement of Cash Flows

	Year Ended June 30	
	2011	2010
Operating activities		
Change in net assets	\$ (23,225)	\$ (62,826)
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 programs and grants	-	56,700
Grant receivable	(12,514)	(12,363)
Due to affiliate	-	349
Grants payable	12,406	37,089
Deposits	-	(2,000)
Net cash provided (used) by operating activities	(23,333)	16,949
Investing activities		
Certificates of deposit including interest	(1,074)	(3,685)
Net cash used by investing activities	(1,074)	(3,685)
Net change in cash and cash equivalents	(24,407)	13,264
Cash and cash equivalents at beginning of year	28,911	15,647
Cash and cash equivalents at end of year	\$ 4,504	\$ 28,911

## 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 2011 and 2010, the Organization helped obtain approximately \$400,000 and \$330,000, respectively, of donated goods and services. Also in 2010 and 2011, the Organization obtained annual grants on behalf of the Long Island Shelter for 25,000 gallons of fuel oil with an estimated value of \$75,000 each year.

#### **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 \$198,421 and \$218,319 of which \$174,266 and \$202,819, respectively, were related to special events in 2011 and 2010.

##### *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 \$195,631 and \$187,816 for 2011 and 2010, 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, 2011 and 2010.

#### *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, 2011, the Organization had no uninsured cash balances.

## FRIENDS OF BOSTON'S HOMELESS, INC.

### Notes to Financial Statements

#### *Subsequent events*

The Organization has evaluated events after the Statement of Financial Position date for recognition or disclosure in the financial statements through November 1, 2011, the date the financial statements were available to be issued.

#### **Note 3 – Certificates of deposit**

At June 30, 2011, the Organization had two certificates of deposit in the amounts of \$45,138 and \$113,744. The certificates bear interest at .25% per annum, and mature on November 18, 2011 and March 6, 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, 2011 and 2010.

#### **Note 5 – Temporarily restricted net assets**

Temporarily restricted net assets consists of funds raised to support the 12-14 Wise Street Project.

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, 2011 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)	\$ 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>

## FRIENDS OF BOSTON'S HOMELESS, INC.

### Notes to Financial Statements

Expenses for the year ended June 30, 2010 consist of the following:

	Program Services	Special Events	Fund- Raising	Management and General	Total
Program contributions (note 7)	\$ 248,760				\$ 248,760
Special events direct costs		\$ 250,699			250,699
Salaries	37,924		\$ 75,847	\$ 37,924	151,695
Printing and photography			981	980	1,961
Professional fees				20,500	20,500
Postage			648	1,944	2,592
Office expenses	655		851	2,723	4,229
Insurance				2,183	2,183
Miscellaneous	17		3,207	1,432	4,656
Total expenses	\$ 287,356	\$ 250,699	\$ 81,534	\$ 67,686	\$ 687,275

#### Note 7 – Program contributions

Public support and revenues were used for the following programs:

	2011	2010
City of Boston's Homeless Services	\$ 28,691	\$ 28,707
Friends Development Corporation	85,897	77,153
Boston Public Health Homeless Services	136,265	142,900
Total program contributions	\$ 250,853	\$ 248,760

#### 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 2011 and 2010 were approximately \$178,000 and \$169,000, respectively.

Meredith Management Corporation ("MMC"), an affiliate of the Organization's founder, received \$6,000 for accounting services in 2011 and 2010. In addition, MMC donated accounting services to the Organization estimated at \$4,000, for 2011 and 2010, 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, 2011, the debts subject to these guarantees totaled approximately \$724,000. The maturity date on the last outstanding debt guaranteed is February 27, 2032.