

FRIENDS OF BOSTON'S HOMELESS, INC.

Financial Statements
for years ended
June 30, 2010 and 2009

Table of Contents

	Page
Independent Auditors' Report	1
Statement of Financial Position – June 30, 2010 and 2009	2
Statement of Activities for Years Ended June 30, 2010 and 2009	3
Statement of Cash Flows for Years Ended June 30, 2010 and 2009	4
Notes to Financial Statements – June 30, 2010	5–9

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, 2010 and 2009 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, 2010 and 2009 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.

December 3, 2010

FRIENDS OF BOSTON'S HOMELESS, INC.

Statement of Financial Position

	June 30	
	<u>2010</u>	<u>2009</u>
Assets		
Cash and cash equivalents	\$ 28,911	\$ 15,647
Certificates of deposit	157,808	154,123
Cash restricted for 12-14 Wise Street	35,145	35,145
Cash restricted for programs and grants	—	56,700
Grant receivable	12,363	—
Prepaid expenses	<u>1,000</u>	<u>1,000</u>
Total assets	<u>\$ 235,227</u>	<u>\$ 262,615</u>
Liabilities		
Due to affiliate	\$ 349	\$ —
Grants payable	37,089	—
Deposits	<u>—</u>	<u>2,000</u>
Total liabilities	<u>37,438</u>	<u>2,000</u>
Commitments		
Net assets		
Unrestricted	162,644	168,770
Temporarily restricted	<u>35,145</u>	<u>91,845</u>
Total net assets	<u>197,789</u>	<u>260,615</u>
Total liabilities and net assets	<u>\$ 235,227</u>	<u>\$ 262,615</u>

See notes to financial statements

FRIENDS OF BOSTON'S HOMELESS, INC.

Statement of Activities

	<u>Year Ended June 30</u>	
	<u>2010</u>	<u>2009</u>
Unrestricted net assets		
Public support and revenue		
Special events	\$ 236,119	\$ 233,806
Contributions and grants	152,233	64,937
Donated goods and services		
Special events	208,819	142,376
Other	9,500	10,000
Holiday cards – net	14,040	12,246
Investment income	3,738	5,647
Net assets released from restrictions		
Restrictions satisfied by payments	<u>56,700</u>	<u>–</u>
Total public support and revenue	<u>681,149</u>	<u>469,012</u>
Expenses		
Program services	287,356	155,392
Special events	250,699	202,227
Supporting services		
Fund-raising	81,534	80,298
Management and general	<u>67,686</u>	<u>69,060</u>
Total expenses	<u>687,275</u>	<u>506,977</u>
Decrease in unrestricted net assets	<u>(6,126)</u>	<u>(37,965)</u>
Temporarily restricted net assets		
Contributions received	–	56,700
Restrictions satisfied by payments	<u>(56,700)</u>	<u>–</u>
Increase (decrease) in temporarily restricted net assets	<u>(56,700)</u>	<u>56,700</u>
Increase (decrease) in net assets	(62,826)	18,735
Net assets at beginning of year	<u>260,615</u>	<u>241,880</u>
Net assets at end of year	<u>\$ 197,789</u>	<u>\$ 260,615</u>

See notes to financial statements

FRIENDS OF BOSTON'S HOMELESS, INC.

Statement of Cash Flows

	<u>Year Ended June 30</u>	
	<u>2010</u>	<u>2009</u>
Operating activities		
Increase (decrease) in net assets	\$ (62,826)	\$ 18,735
Adjustments to reconcile increase (decrease) 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	(56,700)
Unconditional promises to give	-	1,750
Grant receivable	(12,363)	-
Due from affiliate	-	12,875
Due to affiliate	349	-
Grants payable	37,089	(50,000)
Deposits	<u>(2,000)</u>	<u>1,875</u>
Net cash provided (used by) operating activities	<u>16,949</u>	<u>(71,465)</u>
Investing activities		
Certificates of deposit including interest	<u>(3,685)</u>	<u>38,148</u>
Net cash provided (used) by investing activities	<u>(3,685)</u>	<u>38,148</u>
Net increase (decrease) in cash and cash equivalents	13,264	(33,317)
Cash and cash equivalents at beginning of year	<u>15,647</u>	<u>48,964</u>
Cash and cash equivalents at end of year	<u>\$ 28,911</u>	<u>\$ 15,647</u>

See notes to financial statements

FRIENDS OF BOSTON'S HOMELESS, INC.

Notes to Financial Statements
June 30, 2010

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 Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and, therefore, has no provision for Federal income taxes. 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 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 2010 and 2009, the Organization helped obtain approximately \$330,000 and \$315,000, respectively, of donated goods and services. Also in 2009 and 2010, 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 \$218,319 and \$152,376 of which \$208,819 and \$142,376, respectively, were related to special events in 2010 and 2009.

FRIENDS OF BOSTON'S HOMELESS, INC.

Notes to Financial Statements
June 30, 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 \$187,816 and \$187,158 for 2010 and 2009, respectively.

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.

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.

FRIENDS OF BOSTON'S HOMELESS, INC.

Notes to Financial Statements
June 30, 2010*Income taxes*

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision per income taxes. The Organization believes that it has no material uncertain tax positions that would require any accrual or disclosure.

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, 2010, the Organization had no uninsured cash balances.

Subsequent events

The Organization has evaluated events after the Statement of Financial Position date for recognition or disclosure in the financial statements through December 3, 2010, the date the financial statements were available to be issued.

Note 3 – Certificates of deposit

At June 30, 2010, the Organization had two certificates of deposit in the amounts of \$44,833 and \$112,975. The certificates bear interest at 1.00% per annum, and mature on September 24, 2010 and January 11, 2011, respectively.

Note 4 – Lines of credit

The Organization has credit cards with lines of credit with two banks in the total amount of \$27,500. There were no balances due at June 30, 2010.

Note 5 – Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
12 – 14 Wise Street Project	\$ 35,145	\$ 35,145
Richard Weintraub Day Center	–	20,000
The Farm	–	30,500
Re-entry program	<u>–</u>	<u>6,200</u>
	<u>\$ 35,145</u>	<u>\$ 91,845</u>

FRIENDS OF BOSTON'S HOMELESS, INC.

Notes to Financial Statements
June 30, 2010

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. The other temporarily restricted funds are for the support of programs operated by the City of Boston's Homeless Services.

Note 6 – **Expenses**

Expenses for the year ended June 30, 2010 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)	\$ 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	<u>17</u>		<u>3,207</u>	<u>1,432</u>	<u>4,656</u>
Total expenses	<u>\$ 287,356</u>	<u>\$ 250,699</u>	<u>\$ 81,534</u>	<u>\$ 67,686</u>	<u>\$ 687,275</u>

Expenses for the year ended June 30, 2009 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)	\$ 117,592				\$ 117,592
Special events direct costs		\$ 202,227			202,227
Salaries	37,254		\$ 74,507	\$ 37,254	149,015
Printing and photography			1,894	1,894	3,788
Professional fees				20,250	20,250
Postage			1,239	3,716	4,955
Office expenses	525		705	2,162	3,392
Insurance				2,191	2,191
Miscellaneous	<u>21</u>		<u>1,953</u>	<u>1,593</u>	<u>3,567</u>
Total expenses	<u>\$ 155,392</u>	<u>\$ 202,227</u>	<u>\$ 80,298</u>	<u>\$ 69,060</u>	<u>\$ 506,977</u>

FRIENDS OF BOSTON'S HOMELESS, INC.

Notes to Financial Statements
June 30, 2010Note 7 – **Program contributions**

Public support and revenues were used for the following programs:

	<u>2010</u>	<u>2009</u>
City of Boston's Homeless Services	\$ 28,707	\$ 30,767
Friends Development Corporation	77,153	36,825
Boston Public Health Homeless Services	<u>142,900</u>	<u>50,000</u>
Total program contributions	<u>\$ 248,760</u>	<u>\$ 117,592</u>

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 2010 and 2009 were approximately \$169,000 and \$166,000, respectively.

Meredith Management Corporation ("MMC"), an affiliate of the Organization's founder, received \$6,000 for accounting services in 2010 and 2009. In addition, MMC donated accounting services to the Organization estimated at \$4,000, for 2010 and 2009, 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, 2010, the debts subject to these guarantees totaled approximately \$735,000. The maturity date on the last outstanding debt guaranteed is February 27, 2032.