

2013
AUDIT

023124

FRIENDS OF BOSTON'S HOMELESS, INC.

Financial Statements
for years ended
June 30, 2013 and 2012

2013

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PKF
Certified Public Accountants
A Professional Corporation



Independent Auditors' Report

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

We have audited the accompanying financial statements of Friends of Boston's Homeless, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Friends of Boston's Homeless, Inc. as of June 30, 2013 and 2012, 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.

PKF, P.C.

November 5, 2013

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FRIENDS OF BOSTON'S HOMELESS, INC.

Statements of Financial Position

	June 30	
	<u>2013</u>	<u>2012</u>
Assets		
Cash and cash equivalents	\$ 64,055	\$ 49,884
Certificates of deposit	159,195	159,112
Grant receivable	11,152	5,520
Unconditional promises to give	-	24,747
Due from affiliate	4,500	-
Prepaid expenses	1,000	-
Cash restricted for 12-14 Wise Street	11,542	22,812
Cash restricted for programs and grants	<u>-</u>	<u>18,345</u>
Total assets	<u>\$ 251,444</u>	<u>\$ 280,420</u>
Liabilities		
Accounts payable	\$ -	\$ 14,223
Grants payable	35,304	48,055
Due to affiliate	<u>349</u>	<u>349</u>
Total liabilities	<u>35,653</u>	<u>62,627</u>
Commitments		
Net assets		
Unrestricted	204,249	176,636
Temporarily restricted	<u>11,542</u>	<u>41,157</u>
Total net assets	<u>215,791</u>	<u>217,793</u>
Total liabilities and net assets	<u>\$ 251,444</u>	<u>\$ 280,420</u>

FRIENDS OF BOSTON'S HOMELESS, INC.

Statements of Activities

	Year Ended June 30	
	2013	2012
Unrestricted net assets		
Public support and revenue		
Special events	\$ 217,485	\$ 315,986
Contributions and grants	306,537	296,662
Donated goods and services		
Special events	171,648	173,135
Other	123,950	70,880
Holiday cards – net	13,330	17,058
Investment income	104	251
Net assets released from restrictions		
Restrictions satisfied by payments	11,270	12,333
Total public support and revenue	<u>844,324</u>	<u>886,305</u>
Expenses		
Program services	362,176	374,216
Special events	330,025	291,057
Supporting services		
Fundraising	62,254	99,271
Management and general	80,601	84,544
Total expenses	<u>835,056</u>	<u>849,088</u>
Change in unrestricted net assets	<u>9,268</u>	<u>37,217</u>
Temporarily restricted net assets		
Contributions received	–	18,345
Restrictions satisfied by payments	(11,270)	(12,333)
Change in temporarily restricted net assets	<u>(11,270)</u>	<u>6,012</u>
Change in net assets	(2,002)	43,229
Net assets at beginning of year	<u>217,793</u>	<u>174,564</u>
Net assets at end of year	<u>\$ 215,791</u>	<u>\$ 217,793</u>

FRIENDS OF BOSTON'S HOMELESS, INC.

Statements of Cash Flows

	<u>Year Ended June 30</u>	
	<u>2013</u>	<u>2012</u>
Operating activities		
Change in net assets	\$ (2,002)	\$ 43,229
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Effect of changes in operating assets and liabilities		
Cash restricted for 12-14 Wise Street	11,270	12,333
Cash restricted for programs and grants	18,345	(18,345)
Grant receivable	(5,632)	19,357
Unconditional promises to give	24,747	(24,747)
Due from affiliate	(4,500)	-
Prepaid expenses	(1,000)	1,000
Grants payable	(12,751)	(1,440)
Accounts payable	<u>(14,223)</u>	<u>14,223</u>
Net cash provided by operating activities	<u>14,254</u>	<u>45,610</u>
Investing activities		
Certificates of deposit including interest	<u>(83)</u>	<u>(230)</u>
Net cash used in investing activities	<u>(83)</u>	<u>(230)</u>
Net change in cash and cash equivalents	14,171	45,380
Cash and cash equivalents at beginning of year	<u>49,884</u>	<u>4,504</u>
Cash and cash equivalents at end of year	<u>\$ 64,055</u>	<u>\$ 49,884</u>

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 support and volunteer assistance to the City of Boston's Homeless Services, a public health program of the Boston Public Health Commission to support the operations of organizations that provide assistance to homeless and formerly homeless persons and their families, and to develop and manage affordable housing for homeless and formerly homeless persons and their families.

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 2013 and 2012, the Organization helped obtain approximately \$470,000 and \$450,000, 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 \$295,598 and \$244,015 of which \$171,648 and \$173,135, respectively, were related to special events in 2013 and 2012.

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 \$143,825 and \$164,546 for 2013 and 2012, respectively.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

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 Statements of Activities as net assets released from restrictions.

Cash and cash equivalents

For purposes of the Statements 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, 2013 and 2012.

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, 2013, the Organization had \$29,472 on uninsured cash balances. The Organization minimizes this risk by maintaining its cash deposits with high quality financial institutions.

FRIENDS OF BOSTON'S HOMELESS, INC.

Notes to Financial Statements

Note 3 – Certificates of deposit

At June 30, 2013, the Organization had two certificates of deposit in the amounts of \$113,963 and \$45,232. The certificates bear interest at .50% per annum, and mature on November 26, 2013 and March 7, 2014, 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, 2013 and 2012.

Note 5 – Temporarily restricted net assets

Temporarily restricted net assets consist of funds raised to support the 12-14 Wise Street Project in the amount of \$11,542 at June 30, 2013.

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, 2013 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)	\$ 270,911				\$ 270,911
Special events direct costs		\$ 330,025			330,025
Salaries	87,415		\$ 43,707	\$ 43,707	174,829
Printing and photography			863	864	1,727
Professional fees				20,500	20,500
Postage			934	2,801	3,735
Office expenses	3,746		3,746	7,097	14,589
Insurance				1,972	1,972
Marketing			9,058		9,058
Miscellaneous	<u>104</u>		<u>3,946</u>	<u>3,660</u>	<u>7,710</u>
Total expenses	<u>\$ 362,176</u>	<u>\$ 330,025</u>	<u>\$ 62,254</u>	<u>\$ 80,601</u>	<u>\$ 835,056</u>

FRIENDS OF BOSTON'S HOMELESS, INC.

Notes to Financial Statements

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	88,479		\$ 44,239	\$ 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>\$ 374,216</u>	<u>\$ 291,057</u>	<u>\$ 99,271</u>	<u>\$ 84,544</u>	<u>\$ 849,088</u>

Note 7 – Program contributions

Public support and revenues were used for the following programs:

	<u>2013</u>	<u>2012</u>
Boston Public Health Homeless Services	\$ 191,045	\$ 196,237
Friends Development Corporation	<u>79,866</u>	<u>88,204</u>
Total program contributions	<u>\$ 270,911</u>	<u>\$ 284,441</u>

In fiscal 2013, Friends Development Corporation made grants to the Organization in the total amount of \$70,000.

Note 8 – Special events

Special events consist primarily of an annual golf tournament, harvest dinner, and the beyond shelter celebration. Net income from these events was \$59,108 and \$198,064 for 2013 and 2012, respectively.

Note 9 – 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 2013 and 2012 were approximately \$182,000 and \$180,000, respectively.

Meredith Management Corporation ("MMC"), an affiliate of the Organization's founder, received \$6,000 for accounting services in 2013 and 2012. In addition, MMC donated accounting services to the Organization estimated at \$4,000, for 2013 and 2012, which are included in professional fees.

Reference is also made to notes 5, 7 and 9.

FRIENDS OF BOSTON'S HOMELESS, INC.

Notes to Financial Statements

Note 10 – 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. The anticipated funding for Fiscal 2014 is approximately \$200,000. In addition, the Organization is a guarantor of certain collateralized debts of Friends Development Corporation. At June 30, 2013, the debts subject to these guarantees totaled approximately \$705,000. The maturity date on the last outstanding debt guaranteed is February 27, 2032.

Note 11 – Subsequent events

The Organization has evaluated events after the Statement of Financial Position date for recognition or disclosure in the financial statements through November 5, 2013, the date the financial statements were available to be issued.