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FRIENDS OF BOSTON'S HOMELESS, INC.

Financial Statements
for years ended
June 30, 2014 and 2013

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5-9

PKF
Certified Public Accountants
A Professional Corporation

PKF
Accountants &
business advisers

2014
Audit

02/3/24

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, 2014 and 2013, 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, 2014 and 2013, 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.

September 24, 2014

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FRIENDS OF BOSTON'S HOMELESS, INC.

Statements of Financial Position

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
Assets		
Cash	\$ 46,558	\$ 64,055
Certificates of deposit	159,274	159,195
Grant receivable	17,319	11,152
Unconditional promises to give	9,400	-
Due from affiliate	-	4,500
Prepaid expenses	-	1,000
Cash restricted for 12-14 Wise Street	-	11,542
Deferred costs, net	<u>21,980</u>	<u>-</u>
Total assets	<u>\$ 254,531</u>	<u>\$ 251,444</u>
Liabilities		
Accounts payable	\$ 295	\$ -
Grants payable	26,242	35,304
Due to affiliate	<u>6,683</u>	<u>349</u>
Total liabilities	<u>33,220</u>	<u>35,653</u>
Commitments		
Net assets		
Unrestricted	221,311	204,249
Temporarily restricted	<u>-</u>	<u>11,542</u>
Total net assets	<u>221,311</u>	<u>215,791</u>
Total liabilities and net assets	<u>\$ 254,531</u>	<u>\$ 251,444</u>

FRIENDS OF BOSTON'S HOMELESS, INC.

Statements of Activities

	<u>Year Ended June 30</u>	
	<u>2014</u>	<u>2013</u>
Unrestricted net assets		
Public support and revenue		
Special events	\$ 154,587	\$ 217,485
Contributions and grants	389,803	306,537
Donated goods and services		
Special events	134,126	171,648
Other	93,153	123,950
Holiday cards – net	9,378	13,330
Investment income	98	104
Net assets released from restrictions		
Restrictions satisfied by payments	<u>11,542</u>	<u>11,270</u>
Total public support and revenue	<u>792,687</u>	<u>844,324</u>
Expenses		
Program services	367,106	362,176
Special events	268,802	330,025
Supporting services		
Fundraising	58,783	62,254
Management and general	<u>80,934</u>	<u>80,601</u>
Total expenses	<u>775,625</u>	<u>835,056</u>
Change in unrestricted net assets	<u>17,062</u>	<u>9,268</u>
Temporarily restricted net assets		
Restrictions satisfied by payments	<u>(11,542)</u>	<u>(11,270)</u>
Change in temporarily restricted net assets	<u>(11,542)</u>	<u>(11,270)</u>
Change in net assets	5,520	(2,002)
Net assets at beginning of year	<u>215,791</u>	<u>217,793</u>
Net assets at end of year	<u>\$ 221,311</u>	<u>\$ 215,791</u>

FRIENDS OF BOSTON'S HOMELESS, INC.

Statements of Cash Flows

	Year Ended June 30	
	2014	2013
Operating activities		
Change in net assets	\$ 5,520	\$ (2,002)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Amortization	1,998	—
Effect of changes in operating assets and liabilities		
Cash restricted for 12-14 Wise Street	11,542	11,270
Cash restricted for programs and grants	—	18,345
Grant receivable	(6,167)	(5,632)
Unconditional promises to give	(9,400)	24,747
Due from affiliate	4,500	(4,500)
Prepaid expenses	1,000	(1,000)
Grants payable	(9,062)	(12,751)
Accounts payable	295	(14,223)
Due to affiliate	6,334	—
Net cash provided by operating activities	<u>6,560</u>	<u>14,254</u>
Investing activities		
Certificates of deposit including interest	(79)	(83)
Deferred costs – Website	<u>(23,978)</u>	<u>—</u>
Net cash used in investing activities	<u>(24,057)</u>	<u>(83)</u>
Net change in cash and cash equivalents	(17,497)	14,171
Cash and cash equivalents at beginning of year	<u>64,055</u>	<u>49,884</u>
Cash and cash equivalents at end of year	<u>\$ 46,558</u>	<u>\$ 64,055</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 2014 and 2013, the Organization helped obtain approximately \$507,000 and \$470,000, 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 \$227,279 and \$295,598 of which \$134,126 and \$171,648, respectively, were related to special events in 2014 and 2013.

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 \$138,069 and \$143,825 for 2014 and 2013, 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, 2014 and 2013.

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, 2014, the Organization had \$13,623 of 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, 2014, the Organization had two certificates of deposit in the amounts of \$45,255 and \$114,019. The certificates bear interest at .050% per annum, and mature on October 10, 2014 and November 20, 2015, respectively.

Note 4 – Deferred costs

Deferred costs consist of a new Website design in the amount of \$23,978 which was funded by a Foundation grant. The deferred costs are being amortized over their estimated useful life of 3 years on the straight-line method. Amortization expense for 2014 was \$1,998. Future amortization expense will be \$7,293 in 2015, \$7,913 in 2016 and \$5,994 in 2017.

Note 5 – 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, 2014 and 2013.

Note 6 – Temporarily restricted net assets

Temporarily restricted net assets consisted of funds raised to support the 12-14 Wise Street Project. The funds were fully expended in the current year.

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 7 – Expenses

Expenses for the year ended June 30, 2014 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 8)	\$ 280,822				\$ 280,822
Special events direct costs		\$ 268,802			268,802
Salaries	83,824		\$ 41,912	\$ 41,912	167,648
Printing and photography			2,678	2,678	5,356
Professional fees				20,695	20,695
Postage			1,630	4,890	6,520
Office expenses	1,694		3,319	3,827	8,840
Insurance				3,131	3,131
Marketing			5,000		5,000
Miscellaneous	<u>766</u>		<u>4,244</u>	<u>3,801</u>	<u>8,811</u>
Total expenses	<u>\$ 367,106</u>	<u>\$ 268,802</u>	<u>\$ 58,783</u>	<u>\$ 80,934</u>	<u>\$ 775,625</u>

FRIENDS OF BOSTON'S HOMELESS, INC.

Notes to Financial Statements

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 8)	\$ 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>

Note 8 – Program contributions

Public support and revenues were used for the following programs:

	<u>2014</u>	<u>2013</u>
Boston Public Health Homeless Services	\$ 129,180	\$ 155,929
Friends Development Corporation	70,671	79,866
AmeriCorps Grant	22,021	-
General Assistance to the Homeless	<u>58,950</u>	<u>35,166</u>
Total program contributions	<u>\$ 280,822</u>	<u>\$ 270,911</u>

In fiscal 2014 and 2013, Friends Development Corporation made grants to the Organization in the total amount of \$30,000 and \$70,000, respectively.

Note 9 – Special events

Special events consist primarily of an annual golf tournament, harvest dinner, and the beyond shelter celebration. Net income from these events was \$19,911 and \$59,108 for 2014 and 2013, respectively.

Note 10 – 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 2014 and 2013 were approximately \$190,000 and \$182,000, respectively.

Meredith Management Corporation ("MMC"), an affiliate of the Organization's founder, received \$6,000 for accounting services in 2014 and 2013. In addition, MMC donated accounting services to the Organization estimated at \$4,000, for 2014 and 2013, which are included in professional fees.

FRIENDS OF BOSTON'S HOMELESS, INC.

Notes to Financial Statements

Note 11 – 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 2015 is approximately \$236,000. In addition, the Organization is a guarantor of certain collateralized debts of Friends Development Corporation. At June 30, 2014, the debts subject to these guarantees totaled approximately \$690,000. The maturity date on the last outstanding debt guaranteed is February 27, 2032.

Note 12 – Subsequent events

The Organization has evaluated events after the Statement of Financial Position date for recognition or disclosure in the financial statements through September 24, 2014, the date the financial statements were available to be issued.