

FRIENDS OF BOSTON'S HOMELESS, INC.

Financial Statements
for years ended
June 30, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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 19, 2016

FRIENDS OF BOSTON'S HOMELESS, INC.

Statements of Financial Position

	June 30	
	2016	2015
Assets		
Cash	\$ 221,301	\$ 316,322
Certificates of deposit	209,739	159,354
Grant receivable	4,043	5,691
Unconditional promises to give	1,500	-
Due from affiliate	-	7,701
Prepaid expenses	3,570	4,002
Cash restricted for programs and grants	-	8,000
Deferred costs, net	5,994	13,987
Total assets	\$ 446,147	\$ 515,057
Liabilities		
Accounts payable	\$ -	\$ 12,822
Grants payable	32,093	5,679
Due to affiliate	6,683	6,334
Deferred revenue	5,500	31,213
Total liabilities	44,276	56,048
Commitments		
Net assets		
Unrestricted	401,871	451,009
Temporarily restricted	-	8,000
Total net assets	401,871	459,009
Total liabilities and net assets	\$ 446,147	\$ 515,057

FRIENDS OF BOSTON'S HOMELESS, INC.

Statements of Activities

	<u>Year Ended June 30</u>	
	<u>2016</u>	<u>2015</u>
Unrestricted net assets		
Public support and revenue		
Special events	\$ 154,276	\$ 128,244
Contributions and grants	617,443	652,693
Donated goods and services		
Special events	129,048	128,795
Other	92,900	193,780
Holiday cards – net	7,126	10,377
Investment income	404	96
Net assets released from restrictions		
Restrictions satisfied by payments	<u>8,000</u>	<u>–</u>
Total public support and revenue	<u>1,009,197</u>	<u>1,113,985</u>
Expenses		
Program services	701,276	574,109
Special events (Note 9)	181,807	171,340
Supporting services		
Fundraising	95,930	60,288
Management and general	<u>79,322</u>	<u>78,550</u>
Total expenses	<u>1,058,335</u>	<u>884,287</u>
Change in unrestricted net assets	<u>(49,138)</u>	<u>229,698</u>
Temporarily restricted net assets		
Contributions received	–	8,000
Restrictions satisfied by payments	<u>(8,000)</u>	<u>–</u>
Change in temporarily restricted net assets	<u>(8,000)</u>	<u>8,000</u>
Change in net assets	(57,138)	237,698
Net assets at beginning of year	<u>459,009</u>	<u>221,311</u>
Net assets at end of year	<u>\$ 401,871</u>	<u>\$ 459,009</u>

FRIENDS OF BOSTON'S HOMELESS, INC.

Statements of Cash Flows

	Year Ended June 30	
	2016	2015
Operating activities		
Change in net assets	\$ (57,138)	\$ 237,698
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Amortization	7,993	7,993
Effect of changes in operating assets and liabilities		
Cash restricted for programs and grants	8,000	(8,000)
Grant receivable	1,648	11,628
Unconditional promises to give	(1,500)	9,400
Due from affiliate	7,701	(7,701)
Prepaid expenses	432	(4,002)
Grants payable	26,414	(20,563)
Accounts payable	(12,822)	12,527
Due to affiliate	349	(349)
Deferred revenue	(25,713)	31,213
Net cash provided by (used in) operating activities	(44,636)	269,844
Investing activities		
Certificates of deposit including interest	(50,385)	(80)
Net cash used in investing activities	(50,385)	(80)
Net change in cash and cash equivalents	(95,021)	269,764
Cash and cash equivalents at beginning of year	316,322	46,558
Cash and cash equivalents at end of year	\$ 221,301	\$ 316,322

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 support the operations of organizations and programs 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 Boston's Public Health Commission Homeless Services, the Organization actively develops programs which are run on a stand-alone basis or by Homeless Services. In 2016 and 2015, the Organization helped obtain approximately \$585,000 and \$533,000, 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 \$221,948 and \$322,575 of which \$129,048 and \$128,795, respectively, were related to special events in 2016 and 2015.

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 \$273,460 and \$229,020 for 2016 and 2015, 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, 2016 and 2015.

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, 2016, the Organization had \$113,442 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

Deferred revenue

Deferred revenue consists of unexpended grant funds received for next year's programs and advanced payments received for special events.

Note 3 – Certificates of deposit

At June 30, 2016, the Organization had three certificates of deposit in the amounts of \$114,132, \$45,301 and \$50,306. The first two certificates bear interest at .050% per annum, and mature on September 11, 2016 and January 20, 2017, respectively. The third certificate of deposit bears interest at 1.391% per annum and matures on July 23, 2017.

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 was \$7,993 for each of the years ended June 30, 2016 and 2015, respectively. Future amortization expense will be \$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 \$29,500. There were no balances due at June 30, 2016 and 2015.

Note 6 – Temporarily restricted net assets

Temporarily restricted net assets consisted of a grant of \$8,000 designated to the Organization's farm program. The farm, located at Long Island Shelter, grows fresh organic produce for the Shelter's kitchen. The funds were expended in 2016.

Note 7 – Expenses

Expenses for the year ended June 30, 2016 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)	\$ 603,068				\$ 603,068
Special events		\$ 181,807			181,807
Salaries	90,706		\$ 45,353	\$ 45,352	181,411
Printing and photography			2,430	2,431	4,861
Accounting and professional fees				17,500	17,500
Postage			965	2,897	3,862
Office expenses	2,651		4,136	5,146	11,933
Insurance				1,351	1,351
Marketing and website	4,851		16,054		20,905
Miscellaneous			<u>26,992</u>	<u>4,645</u>	<u>31,637</u>
Total expenses	<u>\$ 701,276</u>	<u>\$ 181,807</u>	<u>\$ 95,930</u>	<u>\$ 79,322</u>	<u>\$ 1,058,335</u>

FRIENDS OF BOSTON'S HOMELESS, INC.

Notes to Financial Statements

Expenses for the year ended June 30, 2015 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)	\$ 483,927				\$ 483,927
Special events		\$ 171,340			171,340
Salaries	86,776		\$ 43,388	\$ 43,388	173,552
Printing and photography			1,271	1,271	2,542
Accounting and professional fees				20,880	20,880
Postage			598	1,795	2,393
Office expenses	1,341		1,343	4,969	7,653
Insurance				976	976
Marketing and website			4,675		4,675
Miscellaneous	<u>2,065</u>		<u>9,013</u>	<u>5,271</u>	<u>16,349</u>
Total expenses	\$ <u>574,109</u>	\$ <u>171,340</u>	\$ <u>60,288</u>	\$ <u>78,550</u>	\$ <u>884,287</u>

Note 8 – Program contributions

Public support and revenues were used for the following programs:

	<u>2016</u>	<u>2015</u>
Boston Public Health Homeless Services	\$ 130,873	\$ 95,225
Friends Development Corporation		
Home Start Funds	69,671	47,376
Operations	13,000	10,000
Capital improvements	56,320	–
General Assistance to the Homeless	<u>333,204</u>	<u>331,326</u>
Total program contributions	\$ <u>603,068</u>	\$ <u>483,927</u>

Note 9 – Special events

Special events consist primarily of an annual golf tournament, and the beyond shelter celebration. Net income from these events was \$101,517 and \$85,699 for 2016 and 2015, respectively. Revenue and expenses are as follows:

	<u>2016</u>	<u>2015</u>
Contributions	\$ 154,276	\$ 128,244
Donated goods and services	<u>129,048</u>	<u>128,795</u>
	<u>283,324</u>	<u>257,039</u>
Direct expenses	52,759	42,545
Donated goods and services	<u>129,048</u>	<u>128,795</u>
	<u>181,807</u>	<u>171,340</u>
Net income	\$ <u>101,517</u>	\$ <u>85,699</u>

FRIENDS OF BOSTON'S HOMELESS, INC.

Notes to Financial Statements

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 2016 and 2015 were approximately \$229,000 and \$225,000, respectively.

Meredith Management Corporation (“MMC”), an affiliate of the Organization’s founder, received \$6,000 for accounting services in 2016 and 2015. In addition, MMC donated accounting services to the Organization estimated at \$4,000, for 2016 and 2015, which are included in accounting and professional fees.

The Organization made a donation of \$5,000 to the Police Assisted Addition and Recovery Initiative, Inc. which is a non-profit entity of which the Organization’s founder is President.

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 2017 is approximately \$320,000. In addition, the Organization is a guarantor of certain collateralized debts of Friends Development Corporation. At June 30, 2016, the debts subject to these guarantees totaled approximately \$665,961. 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 19, 2016, the date the financial statements were available to be issued.

Note 13 – Prior period adjustments

During Fiscal 2016, management discovered two financial statement errors. Program services expense was overstated by \$21,563 as a result of checks which should have been voided at June 30, 2015. Accordingly, this amount was adjusted to restate unrestricted net assets. Temporarily restricted funds included \$31,213 of contributions for the golf event which was delayed until Fiscal 2016. This amount has been reclassified to deferred revenue as of June 30, 2015.