

FRIENDS OF BOSTON'S HOMELESS, INC.

Financial Statements
for years ended
June 30, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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 8, 2017

FRIENDS OF BOSTON'S HOMELESS, INC.

Statements of Financial Position

	June 30	
	<u>2017</u>	<u>2016</u>
Assets		
Cash	\$ 175,834	\$ 221,301
Certificates of deposit	210,336	209,739
Grant receivable	6,452	4,043
Unconditional promises to give	11,165	1,500
Prepaid expenses	-	3,570
Cash restricted for programs and grants	20,000	-
Deferred costs, net	<u>-</u>	<u>5,994</u>
Total assets	<u>\$ 423,787</u>	<u>\$ 446,147</u>
Liabilities		
Accounts payable	\$ 24,680	\$ -
Grants payable	6,452	32,093
Due to affiliate	6,683	6,683
Deferred revenue	<u>-</u>	<u>5,500</u>
Total liabilities	<u>37,815</u>	<u>44,276</u>
Net assets		
Unrestricted net assets	365,972	401,871
Temporarily restricted	<u>20,000</u>	<u>-</u>
	<u>385,972</u>	<u>401,871</u>
Total liabilities and unrestricted net assets	<u>\$ 423,787</u>	<u>\$ 446,147</u>

FRIENDS OF BOSTON'S HOMELESS, INC.

Statements of Activities

	Year Ended June 30	
	2017	2016
Unrestricted net assets		
Public support and revenue		
Special events	\$ 128,259	\$ 154,276
Contributions and grants	576,018	617,443
Donated goods and services		
Special events	118,908	129,048
Other	100,882	92,900
Holiday cards – net	2,240	7,126
Investment income	597	404
Net assets released from restrictions		
Restrictions satisfied by payments	–	8,000
Total public support and revenue	926,904	1,009,197
Expenses		
Program services	609,253	701,276
Special events (Note 9)	164,987	181,807
Supporting services		
Fundraising	110,847	95,930
Management and general	77,716	79,322
Total expenses	962,803	1,058,335
Change in unrestricted net assets	(35,899)	(49,138)
Temporarily restricted net assets		
Contributions received	20,000	–
Restrictions satisfied by payments	–	(8,000)
Change in temporarily restricted net assets	20,000	(8,000)
Change in net assets	(15,899)	(57,138)
Net assets at beginning of year	401,871	459,009
Net assets at end of year	\$ 385,972	\$ 401,871

FRIENDS OF BOSTON'S HOMELESS, INC.

Statements of Cash Flows

	Year Ended June 30	
	2017	2016
Operating activities		
Change in net assets	\$ (15,899)	\$ (57,138)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Amortization	5,994	7,993
Effect of changes in operating assets and liabilities		
Cash restricted for programs and grants	(20,000)	8,000
Grant receivable	(2,409)	1,648
Unconditional promises to give	(9,665)	(1,500)
Due from affiliate	-	7,701
Prepaid expenses	3,570	432
Grants payable	(25,641)	26,414
Accounts payable	24,680	(12,822)
Due to affiliate	-	349
Deferred revenue	(5,500)	(25,713)
Net cash used in operating activities	(44,870)	(44,636)
Investing activities		
Certificates of deposit including interest	(597)	(50,385)
Net cash used in investing activities	(597)	(50,385)
Net change in cash	(45,467)	(95,021)
Cash at beginning of year	221,301	316,322
Cash at end of year	\$ 175,834	\$ 221,301

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 2017 and 2016, the Organization helped obtain approximately \$615,000 and \$585,000, 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 \$219,790 and \$221,948 of which \$118,908 and \$129,048, respectively, were related to special events in 2017 and 2016.

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 \$292,221 and \$273,460 for 2017 and 2016, 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 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, 2017 and 2016.

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, 2017, the Organization had \$139,602 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 advanced payments received for special events occurring in the next fiscal year.

Note 3 – Certificates of deposit

At June 30, 2017, the Organization had three certificates of deposit in the amounts of \$114,189, \$45,314 and \$50,833. The first two certificates bear interest at .050% per annum, and mature on December 5, 2017 and January 20, 2018, respectively. The third certificate of deposit bears interest at 1.14% per annum and matures on July 23, 2018.

Note 4 – Deferred costs

Deferred costs consisted of a new website design in the amount of \$23,978 which was funded by a Foundation grant. The deferred costs were amortized over their estimated useful life of 3 years on the straight-line method. Amortization expense was \$5,994 and \$7,993 for the years ended June 30, 2017 and 2016, respectively.

Note 5 – Lines of credit

The Organization has credit cards with lines of credit with a bank in the total amount of \$21,500. There were no balances due at June 30, 2017 and 2016.

Note 6 – Temporarily restricted net assets

Temporarily restricted net assets consists of a grant to be used in the next fiscal year to support Homeless Services New Front Door Triage Initiative to end veteran and chronic homelessness.

Note 7 – Expenses

Expenses for the year ended June 30, 2017 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)	\$ 505,595				\$ 505,595
Special events		\$ 164,987			164,987
Salaries	97,176		\$ 48,588	\$ 48,588	194,352
Printing and photography			3,453	3,453	6,906
Accounting and professional fees				17,500	17,500
Postage			15,642	1,873	17,515
Office expenses	1,783		2,923	3,145	7,851
Insurance				1,351	1,351
Marketing and website	4,699		14,097		18,796
Miscellaneous			<u>26,144</u>	<u>1,806</u>	<u>27,950</u>
Total expenses	<u>\$ 609,253</u>	<u>\$ 164,987</u>	<u>\$ 110,847</u>	<u>\$ 77,716</u>	<u>\$ 962,803</u>

FRIENDS OF BOSTON'S HOMELESS, INC.

Notes to Financial Statements

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>

Note 8 – Program contributions

Public support and revenues were used for the following programs:

	<u>2017</u>	<u>2016</u>
Boston Public Health Homeless Services	\$ 139,059	\$ 130,873
Friends Development Corporation		
Home Start Funds	53,334	69,671
Operations	18,000	13,000
Capital improvements	46,757	56,320
General Assistance to the Homeless	<u>248,445</u>	<u>333,204</u>
Total program contributions	<u>\$ 505,595</u>	<u>\$ 603,068</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 \$82,180 and \$101,517 for 2017 and 2016, respectively. Revenue and expenses are as follows:

	<u>2017</u>	<u>2016</u>
Contributions	\$ 128,259	\$ 154,276
Donated goods and services	<u>118,908</u>	<u>129,048</u>
	<u>247,167</u>	<u>283,324</u>
Direct expenses	46,079	52,759
Donated goods and services	<u>118,908</u>	<u>129,048</u>
	<u>164,987</u>	<u>181,807</u>
Net income	<u>\$ 82,180</u>	<u>\$ 101,517</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 2017 and 2016 were approximately \$246,000 and \$229,000, respectively.

Meredith Management Corporation (“MMC”), an affiliate of the Organization’s founder, received \$6,000 for accounting services in 2017 and 2016. In addition, MMC donated accounting services to the Organization estimated at \$4,000, for 2017 and 2016, which are included in accounting and professional fees.

During Fiscal 2016, 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 2018 is approximately \$345,000. In addition, the Organization is a guarantor of certain collateralized debts of Friends Development Corporation. At June 30, 2017, the debts subject to these guarantees totaled approximately \$650,997. 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 November 8, 2017, the date the financial statements were available to be issued.