

**FRIENDS OF THE CHILDREN - BOSTON, INC.**

**FINANCIAL STATEMENTS**

*with*

**INDEPENDENT AUDITORS' REPORT**

**YEAR ENDED AUGUST 31, 2018**

*(With Summarized Comparative Information for 2017)*

Smith  Sullivan  
& Brown PC  
CERTIFIED PUBLIC ACCOUNTANTS

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**FRIENDS OF THE CHILDREN - BOSTON, INC.**

**REPORT ON FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2018**

*(With Summarized Comparative Information for 2017)*



**Mission Statement**

*Friends of the Children-Boston (Friends-Boston) creates generational change by engaging children from high-risk communities in 12 years of transformative mentoring relationships. We call the children we serve Achievers to demonstrate our belief in their potential for success; our long-term goal is that Achievers will graduate from high school and succeed in college. We select children from high-risk Boston communities in kindergarten and provide them with 16 hours a month of comprehensive mentoring and advocacy services every year for 12 years, from first grade through high school graduation.*

FRIENDS OF THE CHILDREN - BOSTON, INC.

REPORT ON FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

*(With Summarized Comparative Information for 2017)*

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Friends of the Children - Boston, Inc.  
Boston, Massachusetts

We have audited the accompanying financial statements of Friends of the Children - Boston, Inc. (a Massachusetts nonprofit organization), which comprise the statement of financial position as of August 31, 2018, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 of 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 Organization'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 Organization'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 the Children - Boston, Inc. as of August 31, 2018 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Friends of the Children - Boston, Inc.

**Report on Summarized Comparative Information**

We have previously audited Friends of the Children-Boston, Inc.'s August 31, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 29, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Smith, Sullivan & Brown, PC*

Westborough, Massachusetts  
November 19, 2018

FRIENDS OF THE CHILDREN - BOSTON, INC.

STATEMENTS OF FINANCIAL POSITION AS OF AUGUST 31, 2018 AND 2017

**ASSETS**

	<u>2018</u>	<u>2017</u>
<b><u>CURRENT ASSETS:</u></b>		
Cash and Cash Equivalents	\$ 466,916	\$ 312,562
Cash Held on Behalf of Achiever Program Participants	21,359	15,655
Short-Term Investments	124,562	-
Grants and Contributions Receivable	405,195	175,140
Accounts Receivable	50,178	25,747
Prepaid Expenses	1,404	25,243
Total Current Assets	<u>1,069,614</u>	<u>554,347</u>
<b><u>OTHER ASSETS:</u></b>		
Grants and Contributions Receivable, Non-Current	75,000	-
Deposits	5,730	5,730
Total Other Assets	<u>80,730</u>	<u>5,730</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 1,150,344</u></b>	<b><u>\$ 560,077</u></b>

**LIABILITIES AND NET ASSETS**

<b><u>CURRENT LIABILITIES:</u></b>		
Accounts Payable	\$ 5,186	\$ 36,642
Amounts Due to Achiever Program Participants	21,359	15,655
Accrued Expenses	11,652	12,443
Accrued Payroll and Related Costs	57,229	37,641
Total Current Liabilities	<u>95,426</u>	<u>102,381</u>
<b><u>NET ASSETS:</u></b>		
Unrestricted Net Assets:		
Unrestricted Net Assets	474,918	305,196
Board Designated Net Assets	125,000	-
Total Unrestricted Net Assets	599,918	305,196
Temporarily Restricted Net Assets	455,000	152,500
Total Net Assets	<u>1,054,918</u>	<u>457,696</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 1,150,344</u></b>	<b><u>\$ 560,077</u></b>

FRIENDS OF THE CHILDREN - BOSTON, INC.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2018  
*(With Summarized Comparative Totals for 2017)*

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL ACTIVITIES 2018</u>	<u>2017</u>
<b><u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u></b>				
<i>Support and Revenues:</i>				
Gifts, Grants and Contributions	\$ 935,307	\$ 455,000	\$ 1,390,307	\$ 1,130,438
Government Grants	246,000	-	246,000	76,800
Donated Goods and Services	22,061	-	22,061	38,084
Special Event Proceeds	359,508	-	359,508	291,377
Less: Cost of Direct Benefits to Donors	(86,295)	-	(86,295)	(52,468)
Investment Income	3,369	-	3,369	94
Miscellaneous	1,214	-	1,214	1,425
Total Support and Revenues	<u>1,481,164</u>	<u>455,000</u>	<u>1,936,164</u>	<u>1,485,750</u>
<i>Reclassification of Net Assets:</i>				
Satisfaction of Program Restrictions	<u>152,500</u>	<u>(152,500)</u>	<u>-</u>	<u>-</u>
<b><u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u></b>	<b><u>1,633,664</u></b>	<b><u>302,500</u></b>	<b><u>1,936,164</u></b>	<b><u>1,485,750</u></b>
<b><u>EXPENSES:</u></b>				
Program Services	1,017,706	-	1,017,706	820,824
Administrative	136,207	-	136,207	110,032
Fund Raising	185,029	-	185,029	205,991
<b><u>TOTAL EXPENSES</u></b>	<b><u>1,338,942</u></b>	<b><u>-</u></b>	<b><u>1,338,942</u></b>	<b><u>1,136,847</u></b>
<b><u>CHANGE IN NET ASSETS</u></b>	<b>294,722</b>	<b>302,500</b>	<b>597,222</b>	<b>348,903</b>
<b><u>NET ASSETS - BEGINNING OF YEAR</u></b>	<b><u>305,196</u></b>	<b><u>152,500</u></b>	<b><u>457,696</u></b>	<b><u>108,793</u></b>
<b><u>NET ASSETS - END OF YEAR</u></b>	<b><u>\$ 599,918</u></b>	<b><u>\$ 455,000</u></b>	<b><u>\$ 1,054,918</u></b>	<b><u>\$ 457,696</u></b>

FRIENDS OF THE CHILDREN - BOSTON, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2018

*(With Summarized Comparative Totals for 2017)*

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u> <u>FUNCTIONAL EXPENSES</u>	
				<u>2018</u>	<u>2017</u>
Salaries and Wages	\$ 650,678	\$ 23,940	\$ 129,642	\$ 804,260	\$ 698,083
Payroll Taxes	56,232	2,069	11,203	69,504	61,816
Employee Benefits	94,871	3,491	18,902	117,264	92,587
Contracted Services and Consultants	2,166	90,596	431	93,193	49,318
Occupancy	87,978	3,237	17,529	108,744	98,641
Insurance	8,117	299	1,617	10,033	11,450
Achiever Program Expenses	45,363	-	-	45,363	31,852
Achiever Stipends	14,308	-	-	14,308	23,487
Donated Program Participant Achiever Expenses	15,211	-	-	15,211	20,639
Evaluation Expense	15,010	-	-	15,010	5,000
Travel, Recruitment and Training	16,936	3,165	2,522	22,623	6,954
Minor Equipment	-	125	-	125	382
Direct Costs of Fund Raising Event	-	-	86,295	86,295	52,468
Office Expense	10,836	939	2,158	13,933	9,756
Printing	-	-	1,025	1,025	15,790
National Dues	-	6,600	-	6,600	6,000
Bank and Credit Card Fees	-	567	-	567	3,551
Miscellaneous	-	1,179	-	1,179	1,541
<b>Total Functional Expenses</b>	<b>1,017,706</b>	<b>136,207</b>	<b>271,324</b>	<b>1,425,237</b>	<b>1,189,315</b>
Less: Cost of Direct Benefits to Donors	-	-	(86,295)	(86,295)	(52,468)
<b>Expenses as Presented on the Statement of Activities</b>	<b><u>\$ 1,017,706</u></b>	<b><u>\$ 136,207</u></b>	<b><u>\$ 185,029</u></b>	<b><u>\$ 1,338,942</u></b>	<b><u>\$ 1,136,847</u></b>



FRIENDS OF THE CHILDREN - BOSTON, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Change in Net Assets	\$ 597,222	\$ 348,903
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>		
<i>(Increase) Decrease in Current Assets:</i>		
Grants and Contributions Receivable, Current	(230,055)	(51,665)
Accounts Receivable, Program Services	(24,431)	(25,747)
Prepaid Expenses	23,839	(18,467)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable	(31,456)	16,260
Amounts Due to Achiever Program Participants	5,704	15,655
Accrued Expenses	(791)	3,917
Accrued Payroll and Related Costs	19,588	7,941
<i>(Increase) Decrease in Other Assets:</i>		
Grants and Contributions Receivable, Non-Current	(75,000)	-
Net Adjustment	<u>(312,602)</u>	<u>(52,106)</u>
<b><u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>	<b><u>284,620</u></b>	<b><u>296,797</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Purchase of Investments	<u>(124,562)</u>	<u>-</u>
Cash Flows From Investing Activities	<u>(124,562)</u>	<u>-</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>		
Payments on Line-of-Credit	<u>-</u>	<u>(25,000)</u>
Cash Flows From Financing Activities	<u>-</u>	<u>(25,000)</u>
<b><u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u></b>	<b><u>160,058</u></b>	<b><u>271,797</u></b>
<b><u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u></b>	<b><u>328,217</u></b>	<b><u>56,420</u></b>
<b><u>CASH AND CASH EQUIVALENTS - END OF YEAR</u></b>	<b><u>\$ 488,275</u></b>	<b><u>\$ 328,217</u></b>
<i>Presentation of Cash and Cash Equivalents:</i>		
Cash and Cash Equivalents	\$ 466,916	\$ 312,562
Cash Held on Behalf of Achiever Program Participants	21,359	15,655
Total Cash and Cash Equivalents	<u>\$ 488,275</u>	<u>\$ 328,217</u>

FRIENDS OF THE CHILDREN - BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

*(With Summarized Comparative Information for 2017)*

NOTE 1 ORGANIZATION AND AFFILIATION

Friends of the Children - Boston, Inc. ("Friends - Boston" or the "Organization") was incorporated in 2004 under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as an organization which is not a private foundation under Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes. Friends - Boston is primarily funded by grants and contributions from the general public.

**Affiliation:**

Friends of the Children is a national organization dedicated to breaking the cycle of generational poverty through salaried, professional mentoring. Friends of the Children - Boston, Inc. is an independent chapter of the national network dedicated to breaking the cycle of generational poverty through long-term salaried, professional mentoring.

NOTE 2 PROGRAM SERVICES

Founded in 2004, Friends of the Children - Boston, Inc. (Friends - Boston) creates generational change by engaging children from high-risk communities in twelve years of transformative mentoring relationships.

We provide 16 hours each month of intensive, individualized guidance and supportive services from full-time, highly-trained professional mentors (called Friends). Our Model to break the cycle of generational poverty consists of six (6) critical components:

1. We seek out and select the children facing the highest risks in partnership with Boston Public Schools.
2. We employ and train salaried, professional mentors.
3. We commit for the long term - from kindergarten through high school graduation.
4. We focus on the complete transformation of each child, developing a personalized Roadmap to build life skills and create meaningful experiences.
5. We work in and with the child's community - in their home, school, and neighborhood.
6. We evaluate, measure, and improve.

Our professional mentors work with specific cohorts, grades K-5<sup>th</sup> and 6<sup>th</sup>-12<sup>th</sup>, allowing them to provide targeted academic resources and supportive services that ultimately narrow the gaps in academic and life outcomes. Friends:

- Develop a Road Map for each child with activities intended to ensure the achievement of the child's own developmental milestones;
- Engage children in recreational, cultural, and community service activities that enhance their talents and skills;
- Advocate for children in school and provide academic support, including regular school visits;
- Build a relationship with families and connect them to basic resources; and
- Adapt the program during the adolescent years to meet older children's peer-oriented youth development needs.

FRIENDS OF THE CHILDREN - BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

*(With Summarized Comparative Information for 2017)*

*(Continued)*

NOTE 2 *(Continued)*

All direct programming is focused on the development of nine core assets based on cutting edge youth development research and Friends' first-hand experience. These assets, critical to long-term success, are: growth mindset, positive relationship building, finding your spark, problem solving, self-determination, self-management, perseverance/grit, hope, and belonging. Our mentoring is 1:1, taking place at our facility, on outings, in the school, home, and community. In addition, we also hold group programming which is focused around project based learning, peer mentoring, and homework help.

**Achiever Entrepreneurship Program:**

The Achiever Entrepreneurship Program gives Friends - Boston's youth the opportunity to learn essential life skills, learn the basic concept of entrepreneurship, and earn money as reward for their learning. In FY 2018, 28 Achievers in middle school and high school participated in the program. Individual escrow accounts are established under Friends - Boston's umbrella master business bank account. Achievers can retrieve their earnings at any point, and will have the opportunity to have their earnings matched dollar-to-dollar for up to \$1,500 at the time of their high school graduation.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization's financial statements are described below to enhance the usefulness of the financial statements to the reader. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates; however, adherence to generally accepted accounting principles, has in management's opinion, resulted in reliable and consistent financial reporting by the Organization.

**Basis of Accounting:**

The Organization's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when a liability has been incurred.

FRIENDS OF THE CHILDREN - BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

(With Summarized Comparative Information for 2017)

(Continued)

NOTE 3 (Continued)

**Fair Value of Financial Instruments:**

The Organization reports its fair value measures by using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting principles, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are defined as follows:

- Level 1 - Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; observable inputs other than quoted prices for the asset or liability (for example, interest rate and yield curves); and inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The primary use of fair value measures in the Organization's financial statements is the recurring measurement of its money market funds, certificates of deposit and treasury securities. There have been no changes to this valuation methodology.

**Financial Statement Presentation:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. These classifications are related to the existence or absence of donor-imposed restrictions as follows:

*Unrestricted Net Assets* - consists of assets, public support and program revenues which are available and used for operations, programs and capital expenditures. Unrestricted net assets represents the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor. In addition, unrestricted net assets of Friends of the Children - Boston, Inc. includes funds which represent unrestricted resources designated by the Board of Directors for specific purposes.

*Temporarily Restricted Net Assets* - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds.

FRIENDS OF THE CHILDREN - BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

*(With Summarized Comparative Information for 2017)*

*(Continued)*

NOTE 3 *(Continued)*

*Permanently Restricted Net Assets* - includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Organization to expend part or all of the income derived from the donated assets. For the years presented, Friends of the Children - Boston, Inc. had no resources of this nature.

The accompanying financial statements include certain prior-year summarized comparative information. With respect to the Statement of Activities, such prior year information is not presented by net asset class and, on the Statement of Functional Expenses, FY 2017 expenses by line item are in total, rather than by functional category. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2017, from which the summarized information was derived.

**Cash Equivalents:**

For purposes of these financial statements, *Cash and Cash Equivalents* include amounts in bank accounts and in government money market funds held in a brokerage account.

**Short-Term Investments:**

Short-Term Investments consists of a certificate of deposit and treasury securities with original maturities of twelve months or less and greater than ninety days.

**Receivables:**

*Grants and Contributions Receivable* represents amounts due under grant and pledge agreements. Amounts are classified as current if they are scheduled for receipt within one year, and non-current when the expected date of receipt exceeds one year. As of August 31, 2018, non-current receivables represent one grant installment due in FY 2020.

*Accounts Receivable* primarily represents amounts which are due as a result of a mentoring sub-award agreement from the Friends of Children - National and are considered fully collectible.

For each of the years presented, Management believes that all receivables are collectible, and therefore, no allowance for doubtful amounts has been established. If amounts are determined to be uncollectible in subsequent periods, an allowance will be established at that time.

**Property and Equipment:**

Friends of the Children - Boston, Inc. records property and equipment in excess of \$5,000 at cost, if purchased, or if donated, at the fair value on the date of receipt. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas major betterments are capitalized as additions to property and equipment. Depreciation of property and equipment is computed using the straight-line method, and is charged against support and revenues over the estimated useful lives of the assets as expressed in terms of years. As of August 31, 2018, and 2017, Property and Equipment consists of fully-depreciated equipment, furniture and leasehold improvements with an original cost of \$22,406 and estimated useful lives of 3-5 years.

FRIENDS OF THE CHILDREN - BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

*(With Summarized Comparative Information for 2017)*

*(Continued)*

NOTE 3 *(Continued)*

**Contributions, Gifts and Grants:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, contributions are required to be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. As of August 31, 2018, the Organization had a conditional promise to give totaling \$40,000. This amount is payable in increments of \$20,000 in the years ended August 31, 2019 and 2020 based on the Organization meeting certain benchmarks required under the grant agreement. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Donated Goods and Services:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, Friends of the Children - Boston, Inc. maintains a policy whereby the value of the donated goods and services which require a specialized skill and/or which would have otherwise been purchased by the Organization are recognized as revenue on the Statement of Activities with offsetting expenses on the Statement of Functional Expenses. Friends of the Children - Boston, Inc. relies upon volunteer involvement in program support and administrative capacities of the Organization.

**Functional Expenses:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, the Organization allocates its expenses on a functional basis among its various programs and support services. Expenses can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated by the Organization's cost allocation plan. Supporting services are those related to operating and managing the Organization and its programs on a day-to-day basis.

Supporting services have been sub-classified as follows:

*Administrative* - includes all activities related to Friends of the Children - Boston, Inc.'s internal management and accounting program services.

FRIENDS OF THE CHILDREN - BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

*(With Summarized Comparative Information for 2017)*

*(Continued)*

NOTE 3      *(Continued)*

*Fund Raising* - includes all activities related to maintaining contributor information, writing grant proposals, direct mail solicitation, distribution of materials and other similar projects related to the procurement of funds for Friends of the Children - Boston, Inc.'s programs.

**Recent Accounting Guidance:**

In August 2016, the FASB issued ASC Update No. 2016-14, (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*, with the goal of improving not-for-profit financial statements to provide more useful information to donors, grantors, creditors, and other financial statement users. The new guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about the function and nature of expenses, liquidity, financial performance, and cash flows. This guidance will be effective for this Organization beginning September 1, 2018 and is not expected to have a material effect on the Organization's financial position or change in net assets.

In May 2014, the FASB issued ASC Update No. 2014-09, (Topic 606) *Revenue from Contracts with Customers*. This ASU is a comprehensive new revenue recognition model that requires an organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This updated guidance impacts not-for-profit entities that have revenue transactions other than contributions. In August 2015, the FASB issued ASC Update No. 2015-14, (Topic 606) *Revenue from Contracts with Customers*, which deferred the effective date of ASC Update No. 2014-09 by one year. This guidance will be effective for this Organization beginning September 1, 2019 and is not expected to have a material effect on the Organization's financial position or change in net assets.

NOTE 4      SHORT-TERM INVESTMENTS

As of August 31, 2018, investment costs and unrealized gains and losses consisted of the following components:

<u>Investment Type</u>	<u>Cost Basis</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value (Level 1)</u>
Money Market Funds	\$330,245	\$ -	\$ -	\$330,245
Certificates of Deposit	65,019	-	-	65,019
U.S. Treasury Obligations	<u>59,373</u>	<u>170</u>	<u>-</u>	<u>59,543</u>
Total	<u>\$454,637</u>	<u>\$170</u>	<u>\$ -</u>	<u>\$454,807</u>

FRIENDS OF THE CHILDREN - BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

*(With Summarized Comparative Information for 2017)*

*(Continued)*

NOTE 4      *(Continued)*

Financial Statement Classification:

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$330,245	\$110,069
Short-Term Investments	<u>124,562</u>	<u>-</u>
Total	<u>\$454,807</u>	<u>\$110,069</u>

As of August 31, 2018 and 2017, all investments held by Friends-Boston are classified under Level 1 of the fair value hierarchy. The Organization uses the following ways to determine the fair value of its investments:

Money Market Funds: Determined by the published net asset value (“NAV”) per unit at the end of the last trading day of the year, which is the basis for transactions at that date.

Certificates of Deposits: Valued at cost plus accrued interest.

U.S. Department of Treasury Obligations: Determined by the closing bid price on the last business day of the fiscal year if actively traded.

NOTE 5      LINE-OF-CREDIT

The Organization has available up to \$50,000 under a line-of-credit agreement with a bank. As of August 31, 2018 and 2017, there were no outstanding amounts. The agreement is secured by substantially all of the assets of the Organization. Borrowings under the agreement are due on demand and interest is payable monthly at the bank’s prime rate plus 3% (8.00% and 7.25% as of August 31, 2018 and 2017, respectively).

NOTE 6      TEMPORARILY RESTRICTED NET ASSETS

As of August 31, 2018 and 2017, *Temporarily Restricted Net Assets* consisted of grants and contributions restricted for FY 2019 and FY 2020. Amounts released from time restrictions during FY 2018 and FY 2017 were \$152,500 and \$132,500, respectively.

NOTE 7      DONATED GOODS AND SERVICES

A summary of donated goods and services for the years presented is summarized below:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Donations for Achievers	\$15,211	\$20,639
Donations for Special Event	6,800	-
Printing	-	15,790
Other	<u>50</u>	<u>1,655</u>
Total	<u>\$22,061</u>	<u>\$38,084</u>



FRIENDS OF THE CHILDREN - BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

(With Summarized Comparative Information for 2017)

(Continued)

NOTE 8 LEASE COMMITMENT

The Organization occupies program and office space in Boston, Massachusetts under a six-year lease agreement expiring in September 2018. The agreement calls for accelerated rents and includes one six-year option. Rent expense was \$72,580 in each of the years presented and is included in *Occupancy* in the accompanying Statement of Functional Expenses. Minimum future lease payments under the operating lease for the year ending August 31, 2019 is \$6,367. The Organization is currently in process of lease negotiations as of their financial statement issuance date.

NOTE 9 RETIREMENT PLAN

Friends of the Children - Boston, Inc. maintains a 401(k) retirement plan for its employees. The Plan allows eligible employees of the Organization to defer up to the IRS annual maximum deferral limit. The Organization may also make a discretionary matching contribution up to a percentage of each participant's salary. For the years presented there were no employer matches to the plan.

NOTE 10 CONCENTRATIONS

**Cash and Cash Equivalent Concentration:**

The financial instruments that potentially subject the Organization to credit risk consist principally of cash and cash equivalents. The Organization maintains its operating account in one financial institution. The balance is insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. *Cash Equivalents* are held at one brokerage firm and are invested in a government money market fund. The brokerage service used for the money market fund is a member of the Securities Investor Protection Corporation ("SIPC"), which protects securities customers of its members up to \$500,000, including \$250,000 for claims for cash. From time to time, the Organization may have balances in excess of federally and other insured limits; however, the Organization has not experienced any losses on such accounts and Management considers credit risk on cash and cash equivalents to be low.

**Grants and Contributions Receivable:**

As of August 31, 2018, amounts due from two organizations accounted for 86% of total *Grants and Contributions Receivable*. As of August 2017, amounts due from one organization accounted for 84% of total *Grants and Contributions Receivable*.

As of August 31, 2018 and 2017, amounts due from sub-award agreements with the National affiliate accounted for 100%, respectively, of total *Accounts Receivable*.

**Gifts, Grants and Contributions:**

For the years ended August 31, 2018 and 2017, contributions from Board members account for 17% and 24%, respectively, of total support and revenue. For the year ended August 31, 2018, two grants from corporate and private foundations accounted for 21% of total support and revenue.

FRIENDS OF THE CHILDREN - BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

*(With Summarized Comparative Information for 2017)*

*(Continued)*

NOTE 11    SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through November 19, 2018, the date which the financial statements were available for issue, and noted no events which met the criteria.