

FRIENDS OF THE CHILDREN - BOSTON, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEAR ENDED AUGUST 31, 2025

(With Summarized Comparative Information for 2024)

Smith  Sullivan
& Brown PC

CERTIFIED PUBLIC ACCOUNTANTS

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FRIENDS OF THE CHILDREN - BOSTON, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2025

(With Summarized Comparative Information for 2024)



Mission Statement

Impacting generational change by empowering youth who are facing the greatest obstacles through relationships with professional mentors - 12+ years, no matter what.

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REPORT ON FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2025

(With Summarized Comparative Information for 2024)

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2025, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friends of the Children - Boston, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of the Children - Boston, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Friends of the Children - Boston, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of the Children - Boston, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Friends of the Children - Boston, Inc.'s FY 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 4, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
January 7, 2026

FRIENDS OF THE CHILDREN - BOSTON, INC.

STATEMENTS OF FINANCIAL POSITION

AS OF AUGUST 31, 2025 AND 2024

ASSETS

	<u>2025</u>	<u>2024</u>
<u>CURRENT ASSETS:</u>		
Cash	\$ 480,039	\$ 284,137
Cash Held on Behalf of Achiever Program Participants	11,268	8,946
Short-Term Investments	754,418	716,875
Gifts, Grants and Contributions Receivable	617,819	522,628
Prepaid Expenses	43,979	31,240
Total Current Assets	1,907,523	1,563,826
<u>PROPERTY AND EQUIPMENT, NET</u>	2,706	3,498
<u>NON-CURRENT ASSETS:</u>		
Board Designated Reserves	3,952,975	3,669,667
Gifts, Grants and Contributions Receivable, Non-Current	100,000	150,000
Deposits	30,105	27,044
Right of Use Asset - Operating Lease	1,862,385	1,975,618
Right of Use Asset - Finance Lease	63,109	-
Total Non-Current Assets	6,008,574	5,822,329
<u>TOTAL ASSETS</u>	\$ 7,918,803	\$ 7,389,653

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts Payable	\$ 63,862	\$ 45,554
Due to Achiever Program Participants	12,645	9,867
Accrued Expenses	37,798	16,712
Accrued Payroll and Related Costs	86,124	75,773
Operating Lease Liability, Current	155,357	83,808
Finance Lease Liability, Current	13,908	-
Total Current Liabilities	369,694	231,714
<u>NON-CURRENT LIABILITIES:</u>		
Operating Lease Liability, Non-Current	1,854,256	2,009,613
Finance Lease Liability, Non-Current	48,419	-
Total Non-Current Liabilities	1,902,675	2,009,613
<u>TOTAL LIABILITIES</u>	2,272,369	2,241,327
<u>NET ASSETS:</u>		
Net Assets Without Donor Restrictions:		
Operating	1,049,317	806,708
Board Designated	3,952,975	3,669,667
Total Net Assets Without Donor Restrictions	5,002,292	4,476,375
Net Assets With Donor Restrictions	644,142	671,951
Total Net Assets	5,646,434	5,148,326
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 7,918,803	\$ 7,389,653

FRIENDS OF THE CHILDREN - BOSTON, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2025
(With Summarized Comparative Totals for 2024)

	<u>WITHOUT</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>WITH</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>TOTAL ACTIVITIES</u>	
			<u>2025</u>	<u>2024</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>				
Gifts, Grants and Contributions	\$ 2,361,885	\$ 386,000	\$ 2,747,885	\$ 2,415,363
Government Grants	620,221	-	620,221	249,770
Donated Goods and Services	41,618	-	41,618	40,185
Fundraising Event Proceeds	516,746	-	516,746	621,398
Less: Cost of Direct Benefit to Donors	(190,718)	-	(190,718)	(178,307)
Investment Income	332,780	-	332,780	381,931
Total Support and Revenues	<u>3,682,532</u>	<u>386,000</u>	<u>4,068,532</u>	<u>3,530,340</u>
<i>Reclassification of Net Assets:</i>				
Satisfaction of Donor Restrictions	<u>413,809</u>	<u>(413,809)</u>	<u>-</u>	<u>-</u>
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>4,096,341</u>	<u>(27,809)</u>	<u>4,068,532</u>	<u>3,530,340</u>
<u>EXPENSES:</u>				
Program Services	2,809,790	-	2,809,790	2,359,833
Administrative	247,739	-	247,739	305,758
Fund Raising	484,945	-	484,945	328,562
Total Expenses	<u>3,542,474</u>	<u>-</u>	<u>3,542,474</u>	<u>2,994,153</u>
Losses:				
Uncollectible Pledges	<u>27,950</u>	<u>-</u>	<u>27,950</u>	<u>-</u>
<u>TOTAL EXPENSES AND LOSSES</u>	<u>3,570,424</u>	<u>-</u>	<u>3,570,424</u>	<u>2,994,153</u>
<u>CHANGE IN NET ASSETS</u>	525,917	(27,809)	498,108	536,187
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>4,476,375</u>	<u>671,951</u>	<u>5,148,326</u>	<u>4,612,139</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 5,002,292</u>	<u>\$ 644,142</u>	<u>\$ 5,646,434</u>	<u>\$ 5,148,326</u>

FRIENDS OF THE CHILDREN - BOSTON, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2025
(With Summarized Comparative Totals for 2024)

	<u>PROGRAM</u>	<u>ADMINI-</u>	<u>FUND</u>	<u>COST OF</u>	<u>TOTAL</u>	
	<u>SERVICES</u>	<u>STRATIVE</u>	<u>RAISING</u>	<u>DIRECT BENEFIT</u>	<u>FUNCTIONAL EXPENSES</u>	
				<u>TO DONORS</u>	<u>2025</u>	<u>2024</u>
Salaries and Wages	\$ 1,765,088	\$ 110,318	\$ 330,954	\$ -	\$ 2,206,360	\$ 1,781,326
Payroll Taxes	150,759	9,423	28,267	-	188,449	154,541
Employee Benefits	241,814	15,114	45,340	-	302,268	250,208
Contracted Services and Consultants	204,867	73,508	38,413	-	316,788	270,118
Occupancy	18,604	3,025	3,489	-	25,118	62,628
Lease Expense	144,200	9,012	27,038	-	180,250	180,250
Insurance	20,073	-	-	-	20,073	19,204
Achiever Program Expenses	203,350	-	-	-	203,350	142,285
Travel, Recruitment and Training	38,341	2,396	7,189	-	47,926	75,115
Minor Equipment	6,095	381	1,143	-	7,619	7,665
Event Costs	-	-	-	190,718	190,718	178,307
Office Expense	16,599	1,037	3,112	-	20,748	26,996
Bank and Credit Card Fees	-	23,525	-	-	23,525	23,817
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Functional Expenses	2,809,790	247,739	484,945	190,718	3,733,192	3,172,460
Less: Cost of Direct Benefit to Donors	<u> </u>	<u> </u>	<u> </u>	<u>(190,718)</u>	<u>(190,718)</u>	<u>(178,307)</u>
Total Expenses Per Statement of Activities	<u>\$ 2,809,790</u>	<u>\$ 247,739</u>	<u>\$ 484,945</u>	<u>\$ -</u>	<u>\$ 3,542,474</u>	<u>\$ 2,994,153</u>

FRIENDS OF THE CHILDREN - BOSTON, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ 498,108	\$ 536,187
<i>Adjustments to Reconcile the Above to Net Cash</i>		
<i>Provided (Used) by Operating Activities:</i>		
Depreciation Expense	792	3,344
Investment Income	(332,780)	(381,931)
Losses on Uncollectible Pledges	27,950	-
<i>(Increase) Decrease in Current Assets:</i>		
Gifts, Grants and Contributions Receivable	(123,141)	(199,378)
Prepaid Expenses	(12,739)	(16,681)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable	18,308	(1,128)
Due to Achiever Program Participants	2,778	4,978
Accrued Expenses	21,086	(2,547)
Accrued Payroll and Related Costs	10,351	(47,734)
Operating Lease Liability, Current	71,549	7,018
<i>(Increase) Decrease in Non-Current Assets:</i>		
Gifts, Grants and Contributions Receivable, Non-Current	50,000	(150,000)
Deposits	(3,061)	-
Right of Use Asset - Operating Lease	113,233	110,625
<i>Increase (Decrease) in Non-Current Liabilities:</i>		
Operating Lease Liability, Non-Current	(155,357)	(83,807)
Net Adjustment	(311,031)	(757,241)
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>187,077</u>	<u>(221,054)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Net Investment Purchases and Sales	11,929	(1,068,928)
Cash Flows From Investing Activities	11,929	(1,068,928)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Principal Payments on Finance Lease Liabilities	(782)	-
Cash Flows From Financing Activities	(782)	-
<u>NET INCREASE (DECREASE) IN CASH</u>	<u>198,224</u>	<u>(1,289,982)</u>
<u>CASH - BEGINNING OF YEAR</u>	<u>293,083</u>	<u>1,583,065</u>
<u>CASH - END OF YEAR</u>	<u>\$ 491,307</u>	<u>\$ 293,083</u>
<i>Presentation of Cash :</i>		
Cash	\$ 480,039	\$ 284,137
Cash Held on Behalf of Achiever Program Participants	11,268	8,946
Total Cash	\$ 491,307	\$ 293,083
<i>Non-Cash Operating Activities :</i>		
Acquisition of Right of Use Asset via Lease Obligation	\$ 64,178	\$ -

FRIENDS OF THE CHILDREN - BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2025

(With Summarized Comparative Information for 2024)

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 (“IRC”). The Organization has been classified as an organization which is not a private foundation under IRC 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 this national network.

NOTE 2 PROGRAM SERVICES

Founded in 2004, Friends of the Children - Boston, Inc. 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-5th and 6th-12th, allowing them to provide targeted academic resources and supportive services that ultimately narrow the gaps in academic and life outcomes. Friends:

- Develop a Roadmap 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, 2025

(With Summarized Comparative Information for 2024)

(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 2025 and FY 2024, respectively, 15 and 19 Achievers in middle school and high school participated in the program. Individual youth's earnings are held in Friends - Boston's umbrella master business bank accounts. Achievers can retrieve their earnings twice a year 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.

2Gen and Support Services

Coming out of the pandemic, we recognize the needs to support the caregivers of our Achievers in order to continue to help our youth emerge from the pandemic. We launched our 2Gen and Support Services Programming to provide enhanced activities to critical challenges that our families face, including mental health support, education advocacy and caregiver resource connections.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

The financial statements of the Friends of the Children - Boston, Inc. have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles ("GAAP").

Estimates:

The preparation of financial statements in conformity with GAAP 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.

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.

FRIENDS OF THE CHILDREN - BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2025

(With Summarized Comparative Information for 2024)

(Continued)

NOTE 3 *(Continued)*

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 investments.

Financial Statement Presentation:

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. These classifications are related to the existence or absence of donor-imposed restrictions as defined below.

Net Assets Without Donor Restrictions - Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. In addition, net assets within this classification include funds which represent resources designated by the Board of Directors for specific purposes.

Net Assets With Donor Restrictions - Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity. The Organization has no net assets that are required to be maintained in perpetuity for the years presented. The Organization's unspent contributions are reported in net assets with donor restrictions if the donor limited their use, or if they are promised contributions that are not yet due. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Should the donor restrict an asset to use in a program, the asset continues to be reported as restricted net assets.

The accompanying financial statements include certain FY 2024 summarized comparative information. With respect to the Statement of Activities, such prior year information is not presented by net class and in the Statement of Functional Expenses, 2024 expenses by line item are in total rather than by functional category which is not a complete financial statement presentation under GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2024, from which the summarized information was derived.

FRIENDS OF THE CHILDREN - BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2025

(With Summarized Comparative Information for 2024)

(Continued)

NOTE 3 *(Continued)*

Gifts, Grants and Contributions Receivable:

Gifts, Grants and Contributions Receivable represent unconditional promises to give from individual and corporate donors, and government and foundation grants and are reported at their net realizable value. Amounts scheduled for receipt within one year are reported as current, and amounts are reported as non-current when the expected date of receipt exceeds one year. Promises to give with expected payment dates that extend beyond one year are discounted to their present value when such amounts are considered material. Management periodically reviews specific grants, commitments and agreements to determine if any balances are uncollectible. Management believes that these amounts are fully collectible, and therefore, no allowance for doubtful amounts has been established. For the year ended August 31, 2025, the Organization recognized a *Loss on Uncollectible Pledges* of \$27,950 related to uncollectable pledge commitments. There were no losses related to grants and pledges receivable during the year ended August 31, 2024.

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 on maintenance, repairs and renewals are charged to expenses 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, 2025 and 2024, property and equipment consists of leasehold improvements which are depreciated over a useful life of 10 years.

Investments and Board Designated Reserves:

Investments and Board Designated Reserves include cash held in brokerage accounts, and funds invested in mutual funds, exchange traded funds, bond funds, and treasury bonds. Investment purchases are recorded at cost. Thereafter, investments are reported at their fair values in the Statements of Financial Position. Net investment return is reported in the Statement of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. Investments are classified as either short-term or long-term depending on the underlying intentions. As of August 31, 2025 and 2024, *Board Designated Reserves* are considered long-term. There were no expenditures of Board Designated funds during the years presented.

Leases:

Friends - Boston determines if an arrangement is a lease at inception. Operating and finance leases are included in *Right of Use Asset - Operating Lease* ("ROU Assets"), *Right of Use Asset - Finance Lease* ("ROU Assets"), *Operating Lease Liability*, and *Finance Lease Liability* in the Statements of Financial Position. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating and finance lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term, using the weighted-average discount rate.

FRIENDS OF THE CHILDREN - BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2025

(With Summarized Comparative Information for 2024)

(Continued)

NOTE 3 *(Continued)*

The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Friends - Boston operating lease provides for increases in future minimum annual rental payments. Additionally, the operating lease agreement is inclusive of real estate taxes, common area charges and electricity. The Organization elected the practical expedient to not separate lease and non-lease components for its real estate lease. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis and are presented separately in the Statement of Functional Expenses when such amounts are considered material. For the years presented, the Organization did not have any short-term leases.

Revenue Recognition:

The Organization is the beneficiary of contributions in the form of grants from other organizations, governmental agencies, donations of cash and financial assets from individuals and contributions of nonfinancial assets.

Gifts, Grants and Contributions: Contributions, including promises to give, without donor conditions are recognized as revenue at their estimated fair value at the date of donation and classified as either with or without donor restrictions depending on the donor's stipulations or lack thereof. Unconditional, multi-year commitments are recognized in the year during which the initial commitment is made at the amount that the Organization reasonably expects to collect. 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.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Conditional donations are those that have a measurable performance or other barrier and include a right of return of the assets or right of release of the donor from further obligation if the conditions are not met. Conditional donations are not recognized until the associated barriers are met. Any cash received before the conditions or barriers are met is reported as a refundable grant advance. When the conditions are met the revenue is reported as contributions without donor restrictions unless there are further restrictions over and above those associated with the donor conditions. In such cases, when the conditions and restrictions are met within the same reporting period, the support is recognized as contributions or grants without donor restrictions.

FRIENDS OF THE CHILDREN - BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2025

(With Summarized Comparative Information for 2024)

(Continued)

NOTE 3 (Continued)

Government Grants: As more fully described in Note 7, a portion of the Organization's revenue for its program services is derived through cost-reimbursable contracts, grants and sub-awards which are conditional upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. The Organization invoices the grantor after such expenses have been incurred and does not receive payment in advance of service delivery; accordingly, there is no obligation for conditional grant advances arising from these agreements in the accompanying financial statements. These agreements are typically subject to an annual renewal process and future funding is not guaranteed.

Fundraising Event Proceeds: *Fundraising Event Proceeds* is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. Friends - Boston recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. Friends - Boston recognizes the contribution element of event revenue immediately, unless there is a right of return if the special event does not take place.

Donations of Nonfinancial Assets: Contributed nonfinancial assets include donated professional services and other in-kind contributions which are recorded at the respective fair values of the goods or services received. The Organization does not sell donated gifts in-kind. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Friends - Boston relies heavily upon volunteer involvement in direct service, outreach and administrative capacities. Friends - Boston also relies upon donations from the general public of program supplies, materials, clothing, food and personal items for program participants.

Functional Expenses:

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that are common to several functions are allocated by the Organization's cost allocation plan. In the accompanying Statement of Functional Expenses, *Salaries and Wages, Payroll Taxes, Employee Benefits, Occupancy, Lease Expense, Travel, Recruitment and Training, Minor Equipment, and Office Expense* are allocated based on estimates of time and effort. 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.

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.

Cost of Direct Benefit to Donors - includes direct costs of Fund Raising Events and is presented as an offset to Fund Raising Event Proceeds revenue in the accompanying Statement of Activities.

FRIENDS OF THE CHILDREN - BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2025

(With Summarized Comparative Information for 2024)

(Continued)

NOTE 3 *(Continued)*

Reclassifications:

Certain amounts in the prior year summarized comparative information have been reclassified to conform to the current year presentation. Reclassifications made to the prior year summarized comparative information have no impact on total net assets or changes in net assets.

NOTE 4 INVESTMENTS

As of August 31, 2025 and 2024, investment costs and unrealized gains and losses consisted of the following components:

<u>Investment Type</u>	<u>August 31, 2025</u>				
	<u>Cost Basis</u>	<u>Unrealized Gain(Loss)</u>	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 2)</u>	<u>Total</u>
Money Market Funds	\$1,029,260	\$ -	\$1,029,260	\$ -	\$1,029,260
Mutual Funds	139,840	12,713	152,553	-	152,553
Exchange Traded Funds	930,010	265,695	1,195,705	-	1,195,705
Bond Funds	1,120,818	34,576	1,155,394	-	1,155,394
U.S Treasury Obligations	<u>1,155,735</u>	<u>18,746</u>	<u>-</u>	<u>1,174,481</u>	<u>1,174,481</u>
Total	<u>\$4,375,663</u>	<u>\$331,730</u>	<u>\$3,532,912</u>	<u>\$1,174,481</u>	<u>\$4,707,393</u>

<u>Investment Type</u>	<u>August 31, 2024</u>				
	<u>Cost Basis</u>	<u>Unrealized Gain(Loss)</u>	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 2)</u>	<u>Total</u>
Money Market Funds	\$ 940,670	\$ -	\$ 940,670	\$ -	\$ 940,670
Mutual Funds	1,196,833	45,213	1,242,046	-	1,242,046
Exchange Traded Funds	908,818	129,614	1,038,432	-	1,038,432
Certificates of Deposit	100,000	62	-	100,062	100,062
U.S Treasury Obligations	<u>1,050,658</u>	<u>14,674</u>	<u>-</u>	<u>1,065,332</u>	<u>1,065,332</u>
Total	<u>\$4,196,979</u>	<u>\$189,563</u>	<u>\$3,221,148</u>	<u>\$1,165,394</u>	<u>\$4,386,542</u>

Financial Statement Classification:

	<u>2025</u>	<u>2024</u>
Short-Term Investments	\$ 754,418	\$ 716,875
Board Designated Reserves	<u>3,952,975</u>	<u>3,669,667</u>
Total	<u>\$4,707,393</u>	<u>\$4,386,542</u>

FRIENDS OF THE CHILDREN - BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2025

(With Summarized Comparative Information for 2024)

(Continued)

NOTE 4 *(Continued)*

The Organization uses the following ways to determine the fair value of its investments:

Money Market Funds, Mutual Funds, Exchange Traded Funds, and Bond Funds: traded on national securities exchanges and are determined by the published closing price on the last business day of the fiscal year.

Certificates of Deposits and U.S. Treasury Obligations: Valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions.

NOTE 5 LINE-OF-CREDIT

During each of the years presented, the Organization had a line-of-credit with a bank with a borrowing limit of \$50,000, which is secured by substantially all 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% (7.5% and 8.5% as of August 31, 2025 and 2024, respectively). There was no outstanding balance on the line-of-credit as of August 31, 2025 and 2024.

NOTE 6 NET ASSETS

Net Assets with Donor Restrictions:

As of August 31, 2025 and 2024, *Net Assets With Donor Restrictions* primarily consisted of grants and contributions restricted for future years. Amounts released from time restrictions were \$413,809 and \$340,083, during 2025 and 2024, respectively.

NOTE 7 GOVERNMENT AWARDS AND SUB-AWARDS

U.S. Department of Justice ("DOJ"): During the years presented, Friends - Boston was the sub-recipient of grants from the U.S. DOJ Office of Justice Programs. Total funding under these sub-award agreements was \$71,278 and \$100,000 for FY 2025 and FY 2024, respectively. These grants are administered on a cost-reimbursement basis and require an annual application process. The grant funded personnel costs and other direct program costs under the essential services for professional mentoring and youth development.

Massachusetts Child and Youth Violence Prevention: During the years presented, Friends - Boston was the recipient of grants from the Massachusetts Executive Office of Health and Human Services. Total funding under these award agreements was \$236,141 and \$139,750 for FY 2025 and FY 2024, respectively. These grants are administered on a cost-reimbursement basis and require an annual application process. The grant funded personnel costs and other direct program costs under the essential services for professional mentoring and youth development.

Massachusetts Department of Elementary and Secondary Education: During FY 2025, Friends - Boston was the recipient of an earmark in the state budget from the Massachusetts Department of Education. Total funding under this award agreement was \$300,000 for FY 2025. This grant is administered on a cost-reimbursement basis and requires an annual application process.

FRIENDS OF THE CHILDREN - BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2025

(With Summarized Comparative Information for 2024)

(Continued)

NOTE 8 DONATED GOODS AND SERVICES

The Organization received donations for Achievers valued at \$41,618 and \$40,185 for the years ended August 31, 2025 and 2024, respectively. Donations for Achievers include program supplies and items distributed to program participants. Items are valued using estimated pricing for like-kind items while considering the goods' condition and utility for use at the time of contributions. All gifts in-kind received during the years ended August 31, 2025 and 2024 were without donor restrictions.

NOTE 9 CONDITIONAL GRANTS

During the year ended August 31, 2019, the Organization received a \$25,000 sustaining grant which provides for up to nine annual renewals, conditional upon the sole discretion of the donor. As of August 31, 2025, three remaining annual installments were available under the grant.

During the year ended August 31, 2024, the Organization received two conditional grant awards totaling \$150,000, which were recognized in FY 2025 when the conditions were met.

As of August 31, 2025 and 2024, the aggregate conditional amount of the above commitment totaled \$75,000 and \$250,000, respectively, which will be recognized in future years as the conditions are met.

NOTE 10 LEASE COMMITMENTS

Operating Lease: The Organization is a party to a lease agreement for 21,201 square feet in Boston, Massachusetts which is used for the Organization's headquarters. The term of the lease is for ten years expiring in January 2029. Monthly payments for the first year are \$10,657, increasing by approximately 3% for each year thereafter. A security deposit of \$21,314 was paid at the inception of the lease and is included in *Deposits* in the accompanying Statements of Financial Position.

Finance Lease: During FY 2025, the Organization became party to finance leases for two vehicles. The non-cancelable leases are payable monthly in 60 equal installments of \$1,159 through August 2030.

The lease cost and other information for the above leases for the years presented is as follows:

	<u>2025</u>	<u>2024</u>
Included in <i>Occupancy</i> :		
Amortization of ROU Assets	\$1,070	\$ -
Interest on Lease Liabilities	<u>195</u>	<u>-</u>
Total Finance Lease Expense	<u>\$1,265</u>	<u>\$ -</u>

FRIENDS OF THE CHILDREN - BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2025

(With Summarized Comparative Information for 2024)

(Continued)

NOTE 10 *(Continued)*

Included in *Lease Expense*:

Operating Lease Expense	\$180,250	\$180,250
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Other Information:

Operating Cash Flows from Finance Leases (i.e. Interest)	\$ 195	\$ -
Finance Cash Flows from Finance Leases (i.e. Principal Portion)	\$ 2,046	\$ -
Operating Cash Flows from Operating Leases	\$150,826	\$215,378
ROU Assets Obtained in Exchange for Finance Lease Liabilities	\$ 64,178	\$ -
Weighted-Average Remaining Lease Term in Years for Finance Leases	5	-
Remaining Lease Term in Years for Operating Leases	14.4	15.4
Weighted-Average Discount Rate for Finance Leases	3.77%	-
Discount Rate for Operating Leases	3.26%	3.26%

As of August 31 2025, the future minimum lease obligation arising from the above agreement is presented below:

<u>Fiscal Year Ending</u>	<u>Finance</u>	<u>Operating</u>	<u>Total</u>
August 31, 2026	\$13,908	\$ 155,357	\$ 169,265
August 31, 2027	13,908	160,006	173,914
August 31, 2028	13,908	164,809	178,717
August 31, 2029	13,908	169,761	183,669
August 31, 2030	12,747	174,854	187,601
Thereafter	<u>-</u>	<u>1,694,932</u>	<u>1,694,932</u>
Total Undiscounted Cash Flows	68,379	2,519,719	2,588,098
Less: Present Value Discount	<u>(6,052)</u>	<u>(510,106)</u>	<u>(516,158)</u>
Total Lease Liabilities	<u>\$62,327</u>	<u>\$2,009,613</u>	<u>\$2,071,940</u>

NOTE 11 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.

FRIENDS OF THE CHILDREN - BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2025

(With Summarized Comparative Information for 2024)

(Continued)

NOTE 12 CONCENTRATIONS

Credit Risk:

Financial instruments which potentially subject the Organization to concentrations in credit risk consist of its cash balances and investment portfolio. The Organization's cash deposits and investments are held in major financial institutions. Cash deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. The Organization held approximately \$253,000 and \$50,000 in excess of federally insured limits at one bank as of August 31, 2025 and 2024, respectively. Although at times the balances in these accounts may exceed the federally insured limit, the Organization has never experienced any losses on uninsured cash balances.

The Organization invests in professionally managed exchange traded funds and mutual funds that contain various types of marketable securities. The Organization's investments are exposed to various risks, such as fluctuations in market value, and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances. The Organization's investment performance is reviewed by the Board of Directors on a periodic basis. The brokerage services used for the investments are members 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.

Gifts, Grants and Contributions Receivable:

As of August 31, 2025, 49% of the receivable balance was attributable to two donors. As of August 31, 2024, 50% of the receivable balance was attributable to one donor.

NOTE 13 LIQUIDITY AND AVAILABILITY

As part of the Organization's liquidity management, the Board of Directors has a policy to structure the financial assets to be available as its general expenditures, liabilities, and other obligations come due. Friends - Boston regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of long-term, professional mentoring services for Boston's highest-risk youth as well as the conduct of services undertaken to support those activities to be general expenditures. In addition, as discussed at Note 5, the Organization has a \$50,000 line-of-credit available if needed.

Financial assets are considered unavailable when illiquid, or because the governing board or management policy has set aside the funds for a specific use, when restricted by donors for purposes more limited than general expenditures, or when not convertible to cash within one year of the Statement of Financial Position date.

FRIENDS OF THE CHILDREN - BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2025

(With Summarized Comparative Information for 2024)

(Continued)

NOTE 13 *(Continued)*

The following table reflects the Organization's financial assets as of August 31, 2025 and 2024 which are available for general expenditure within one year.

	<u>2025</u>	<u>2024</u>
Financial Assets:		
Cash	\$ 480,039	\$ 284,137
Cash Held on Behalf of Achiever Program Participants	11,268	8,946
Investments	4,707,393	4,386,542
Gifts, Grants and Contributions Receivable	<u>717,819</u>	<u>672,628</u>
Total Financial Assets	5,916,519	5,352,253
Less:		
Gifts, Grants and Contributions, Non-Current	(100,000)	(150,000)
Board Designated Cash and Investments	(3,952,975)	(3,669,667)
Cash Held on Behalf of Achiever Program Participants	<u>(11,268)</u>	<u>(8,946)</u>
Total Financial Assets Available to Meet General Expenditures Within One Year	<u>\$1,852,276</u>	<u>\$1,523,640</u>

NOTE 14 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 January 7, 2026, the date which the financial statements were available for issue and noted no events which met the criteria for recognition or disclosure.