BOYS HOPE GIRLS HOPE

FINANCIAL STATEMENTS

JUNE 30, 2023

Boys Hope Girls Hope

Contents

RubinBrown

7676 Forsyth Blvd
Suite 2100
St. Louis, MO 63105

T: 314.290.3300
E: info@rubinbrown.com
www.RubinBrown.com

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

Independent Auditors' Report

Board of Directors
Boys Hope Girls Hope
St. Louis, Missouri

Opinion

We have audited the financial statements of Boys Hope Girls Hope, which comprise the statement of financial position as of June 30, 2023, and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Boys Hope Girls Hope as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Boys Hope Girls Hope and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis Of Matter - Change In Accounting Principle

As discussed in Note 2 to the financial statements, as of July 1, 2022, Boys Hope Girls Hope adopted the provisions of Accounting Standard Codification Topic 842, *Leases*. Our opinion is not modified with respect to the matter.

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 Boys Hope Girls Hope's ability to continue as a going concern for 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 auditing standards generally accepted in the United States of America 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.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, 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 Boys Hope Girls Hope'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 Boys Hope Girls Hope'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.

RubinBrown LLP

March 5, 2024

BOYS HOPE GIRLS HOPE

STATEMENT OF FINANCIAL POSITION

Assets

	June 30, 2023	June 30, 2022
Cash and cash equivalents	$ 433,271	$ 632,640
Pledges receivable (Notes 4 and 11)	808,566	591,089
Investments (Note 5)	1,466,840	979,774
Retirement plan assets (Note 6)	87,478	84,430
Prepaid insurance	236,250	275,239
Other assets	94,692	88,523
Due from affiliates (Note 7)	45,502	18,035
Property and equipment (Note 8)	249,936	296,376
Right-of-use asset - operating lease (Note 2)	367,501	—
Investments restricted/designated for endowment (Notes 5 and 10)	9,064,731	9,048,332
Total Assets	$ 12,854,767	$ 12,014,438

Liabilities And Net Assets

	June 30, 2023	June 30, 2022
Liabilities		
Accounts payable and accrued expenses (Note 12)	$ 265,196	$ 312,145
Due to affiliates (Note 7)	24,352	10,506
Retirement plan liabilities (Note 6)	116,493	125,070
Right-of-use liability - operating lease (Note 12)	407,131	—
Total Liabilities	813,172	447,721
Net Assets		
Unrestricted:		
Invested in property and equipment	210,306	296,376
Board-designated endowment (Note 10)	221,687	205,288
Available for operations	778,713	961,059
Without donor restrictions	1,210,706	1,462,723
With donor restrictions (Note 9)	10,830,889	10,103,994
Total Net Assets	12,041,595	11,566,717
Total Liabilities And Net Assets	$ 12,854,767	$ 12,014,438

See the notes to financial statements.

BOYS HOPE GIRLS HOPE

STATEMENT OF ACTIVITIES

	For The Year Ended June 30, 2023			For The Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support And Revenues						
Contributions (Notes 7 and 11)	$ 1,627,984	$ 874,107	$ 2,502,091	$ 1,476,585	$ 1,059,595	$ 2,536,180
Contributed nonfinancial assets (Note 1)	139,900	—	139,900	255	—	255
Special events (net of expenses of $9,026 and $18,048 in 2023 and 2022, respectively)	66,288	—	66,288	71,350	—	71,350
Support from local affiliates (Notes 1 and 7)	454,493	—	454,493	460,257	—	460,257
Other income	35,623	—	35,623	3,787	—	3,787
Gain on sale of property held for sale (Note 1)	—	—	—	119,254	—	119,254
Loss on disposal of property and equipment	(31,827)	—	(31,827)	(28,064)	—	(28,064)
Investment return designated for current operations (Notes 9 and 10)	341,880	(341,880)	—	375,653	(375,653)	—
Net assets released from restrictions (Note 9)	728,343	(728,343)	—	884,790	(884,790)	—
Total Public Support And Revenues	3,362,684	(196,116)	3,166,568	3,363,867	(200,848)	3,163,019
Expenses						
Program services	2,605,278	—	2,605,278	2,330,575	—	2,330,575
Supporting activities:						
Management and general	858,939	—	858,939	852,332	—	852,332
Fundraising	326,729	—	326,729	259,915	—	259,915
Total Supporting Activities	1,185,668	—	1,185,668	1,112,247	—	1,112,247
Total Expenses	3,790,946	—	3,790,946	3,442,822	—	3,442,822
Decrease In Net Assets From Operations	(428,262)	(196,116)	(624,378)	(78,955)	(200,848)	(279,803)
Other Income And Gains (Losses)						
Investment income (loss) (Note 5)	176,245	923,011	1,099,256	(159,774)	(1,192,232)	(1,352,006)
Gain on extinguishment of Paycheck Protection Program Loan (Note 1)	—	—	—	260,541	—	260,541
Total Other Income And Gains (Losses)	176,245	923,011	1,099,256	100,767	(1,192,232)	(1,091,465)
Increase (Decrease) In Net Assets	(252,017)	726,895	474,878	21,812	(1,393,080)	(1,371,268)
Net Assets - Beginning Of Year	1,462,723	10,103,994	11,566,717	1,440,911	11,497,074	12,937,985
Net Assets - End Of Year	$ 1,210,706	$ 10,830,889	$ 12,041,595	$ 1,462,723	$ 10,103,994	$ 11,566,717

BOYS HOPE GIRLS HOPE

STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2023

	Program Services	Supporting Activities: Management And General	Supporting Activities: Fundraising	Supporting Activities: Total	Total
Salaries, payroll taxes and benefits	$ 1,396,043	$ 425,319	$ 264,110	$ 689,429	$ 2,085,472
Program support and administration	326,003	28,128	46,038	74,166	400,169
Scholarships	419,686	—	—	—	419,686
Depreciation and amortization	—	80,178	—	80,178	80,178
Information technology	96,454	23,731	12,577	36,308	132,762
Insurance	101,254	44,962	—	44,962	146,216
Interest and bank fees	—	10,887	—	10,887	10,887
International assistance	81,100	—	—	—	81,100
Postage and stationery	—	9,008	—	9,008	9,008
Professional fees	27,260	54,701	—	54,701	81,961
Promotion and marketing	84,526	24,700	326	25,026	109,552
Repairs and maintenance	—	4,675	—	4,675	4,675
Staff recruiting and education	3,672	39,782	—	39,782	43,454
Rent (Note 12)	—	73,368	—	73,368	73,368
Supplies	10,250	12,412	—	12,412	22,662
Travel	59,030	9,617	3,678	13,295	72,325
Telephone and internet	—	17,471	—	17,471	17,471
	$ 2,605,278	$ 858,939	$ 326,729	$ 1,185,668	$ 3,790,946

BOYS HOPE GIRLS HOPE

STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2022

	Program Services	Supporting Activities: Management And General	Supporting Activities: Fundraising	Supporting Activities: Total	Total
Salaries, payroll taxes and benefits	$ 1,271,539	$ 375,602	$ 241,840	$ 617,442	$ 1,888,981
Program support and administration	288,803	87,379	2,699	90,078	378,881
Scholarships	441,673	—	—	—	441,673
Bad debt expense	—	4,996	—	4,996	4,996
Depreciation and amortization	—	87,198	—	87,198	87,198
Information technology	59,412	8,342	7,745	16,087	75,499
Insurance	46,557	46,263	—	46,263	92,820
Interest and bank fees	55	12,462	—	12,462	12,517
International assistance	85,186	—	—	—	85,186
Postage and stationery	319	4,780	—	4,780	5,099
Professional fees	97,737	51,359	1,230	52,589	150,326
Promotion and marketing	8,281	19,312	3,885	23,197	31,478
Repairs and maintenance	—	29,593	—	29,593	29,593
Staff recruiting and education	—	23,337	—	23,337	23,337
Rent (Note 12)	—	42,940	—	42,940	42,940
Supplies	801	26,348	111	26,459	27,260
Travel	29,492	16,921	2,405	19,326	48,818
Telephone and internet	720	12,030	—	12,030	12,750
Utilities	—	3,470	—	3,470	3,470
	$ 2,330,575	$ 852,332	$ 259,915	$ 1,112,247	$ 3,442,822

BOYS HOPE GIRLS HOPE

STATEMENT OF CASH FLOWS

	For The Years Ended June 30, 2023	2022
Cash Flows From Operating Activities		
Increase (decrease) in net assets	$ 474,878	$ (1,371,268)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	80,178	87,198
Realized loss on sale of investments	145,585	71,303
Unrealized (gain) loss on investments	(999,920)	1,515,550
Donated property and equipment	(65,565)	—
Loss on disposal of property and equipment	31,827	28,064
Gain on sale of property held for sale	—	(119,254)
Gain on extinguishment of Paycheck Protection Program loan	—	(260,541)
Changes in assets and liabilities:		
Pledges receivable	(217,477)	(277,116)
Other assets	(6,169)	(8,149)
Prepaid insurance	38,989	(214,236)
Due from affiliates	(27,467)	(12,572)
Right-of-use asset and lease liability	20,646	—
Accounts payable and accrued expenses	(27,965)	27,335
Due to affiliates	13,846	(15,638)
Retirement plan liabilities (net)	(11,625)	(10,735)
Net Cash Used In Operating Activities	(550,239)	(560,059)
Cash Flows From Investing Activities		
Purchases of investments	(1,030,811)	(2,895,942)
Proceeds from sale of investments	1,394,696	2,499,762
Proceeds from sale of building	—	779,066
Purchases of property and equipment	—	(35,135)
Net Cash Provided By Investing Activities	363,885	347,751
Net Decrease In Cash And Cash Equivalents	(186,354)	(212,308)
Cash And Cash Equivalents - Beginning Of Year	1,445,378	1,657,686
Cash And Cash Equivalents - End Of Year	$ 1,259,024	$ 1,445,378
Cash And Cash Equivalents Consist Of:		
Cash and cash equivalents per statement of financial position	$ 433,271	$ 632,640
Cash and cash equivalents included in investments (Note 5)	825,753	812,738
Cash And Cash Equivalents - End Of Year	$ 1,259,024	$ 1,445,378

1. Summary Of Significant Accounting Policies

Basis Of Accounting

The financial statements of Boys Hope Girls Hope (the Organization) have been prepared on the accrual basis of accounting.

Basis Of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) for not-for-profit organizations by presenting assets and liabilities within similar groups and classifying them in a way that provides relevant information about the interrelationships, liquidity, and financial flexibility. As a result, the Organization is required to report information regarding its financial position and activities according to the following classes of net assets:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the Board of Trustees.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Estimates And Assumptions

The Organization uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Operating And Nonoperating Activity

Operating results in the statement of activities reflect all transactions except investment income (loss) and the gain on extinguishment of debt.

Cash And Cash Equivalents

The Organization considers all highly-liquid, short-term investments to be cash equivalents.

The Organization maintains its cash balances with financial institutions with strong credit ratings. At times, such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit, which is $250,000 per financial institution.

Pledges Receivable

Unconditional pledges receivable in future periods are recognized as revenues in the period the pledges are received. Conditional promises to give, that is, those with a measurable performance or other barrier, are not recognized as support until the conditions upon which they depend are met. Pledges receivable are reported at the amount management expects to collect on balances outstanding at year end.

An allowance for uncollectible pledges receivable is provided based upon the Organization’s estimate of amounts that will ultimately not be collected. The estimate is based on historical collection experience coupled with a review of the current status of existing pledges receivable. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. Management has determined that no allowance for uncollectible pledges receivable is necessary as of June 30, 2023 or 2022.

Investments And Investments Restricted/Designated For Endowment

The Organization invests in various investment securities. Marketable investments are carried at market value as quoted on major securities exchanges. Investments for which quoted market prices are not available are carried at estimated realizable values as determined by the fund managers and are reviewed by management. Gains and losses on sales of investments are determined on a specific cost identification basis. Unrealized gains and losses are determined based on year-end fair value fluctuations.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Property And Equipment

Property and equipment are carried at cost, if purchased, or at fair value, if donated, less accumulated depreciation and amortization computed using the straight-line method. Additions exceeding $2,500 are capitalized. The assets are depreciated and amortized over the following periods:

Building and improvements	10 - 35 years
Computer equipment	5 years
Furniture and equipment	5 years

Property Held For Sale

Property held for sale consisted of building and improvements that the Organization utilized in operations but was marketing for sale. This property was stated at cost, including improvements, less accumulated depreciation through August 1, 2018, which was the date the property was listed for sale. On August 5, 2021, the property held for sale was sold for $825,000 less related fees and commissions of $45,934, resulting in a net gain on sale of property held for sale of $119,254 during the year ended June 30, 2022.

Leases

On July 1, 2022, the Organization utilized the modified retrospective approach to adopt the provisions of Accounting Standards Codification (ASC) Topic 842, *Leases*, which includes a number of optional practical expedients that entities may elect to apply. The Organization has elected certain practical expedients, including the use of hindsight in determining the lease term at transition and in assessing impairment of an entity's right-of-use (ROU) assets and the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs. The Organization has also elected the practical expedient not to assess whether existing leases that were not previously accounted for as leases under ASC Topic 840 are or contain a lease under ASC 842. The initial adoption of ASC 842 did not result in a cumulative adjustment to net assets. Results for 2023 are presented under ASC 842, while the prior period financial statements have not been adjusted and continue to be presented under ASC 840, the accounting standard in effect at that time.

As further described in Note 12, the Organization maintains an office space lease. Lease ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The ROU assets represent the lease liability, plus any lease payments made at or before the commencement date, less any lease incentives received. The Organization's lease has an initial term of approximately seven years. The Organization does not record ROU assets or lease liabilities for leases with an initial expected lease term of 12 months or less. For operating leases, lease expense for minimum lease payments is recognized on a straight-line basis over the term of the lease.

The lease terms utilized in determining ROU assets and lease liabilities include the noncancellable portion of the underlying leases along with renewal periods, only if it is reasonably certain that the option will be exercised. When determining if a renewal option is reasonably certain of being exercised, the factors considered, include but are not limited to, the cost of moving to another location, the cost of disruption of operations, the purpose or location of the lease asset and the terms associated with extending the lease. The lease for the office space includes a renewal option for a successive separate period of five years. The Organization has not included this renewal period in the term when determining the ROU asset and lease liability as management is not reasonably certain if such renewal will be exercised. Accordingly, only the initial term is included in the lease term when calculating the ROU asset and lease liability with respect to the building space lease. The Organization has not included any termination penalties in its lease payments, nor shortened any lease terms related to options to terminate a lease.

As most leases do not provide an implicit discount rate, the Organization has made an election available to not-for-profit organizations that allows the use of the risk-free rate at the lease commencement date to determine the present value of the lease payments.

The Organization's operating leases typically contain fixed rent escalations over the lease term, and Organization recognizes expense for these leases on a straight-line basis over the lease term of the respective ROU asset. The Organization recognizes the related lease expense on a straight-line basis and records the difference between the recognized lease expense and amounts payable under the lease as part of the ROU asset.

The Organization does not separate non-lease components of a contract from the lease components to which they relate for all classes of leased assets.

Paycheck Protection Program Loans

The Organization had loans that were part of the Paycheck Protection Program (PPP) established under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and administered by the U.S. Small Business Administration (SBA). In accordance with the requirements of the CARES Act, the Organization expected to use the proceeds from the loans exclusively for qualified expenses under the PPP, including payroll costs, mortgage interest, rent and utility costs, as further detailed in the CARES Act and applicable guidance issued by the SBA. The Organization considered the PPP loans to be debt, subject to the provisions of FASB ASC 470, *Debt*. The Organization did not impute additional interest at a market rate as transactions where interest rates are prescribed by governmental agencies are not subject to the accounting guidance on imputing interest.

The loans would remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the debtor has been legally released or (2) the debtor pays off the loan to the creditor. Once the loan was, in part or wholly, forgiven and legal release is received, the Organization would reduce the liability by the amount forgiven and record a gain on extinguishment.

During 2021, the Organization applied for and received forgiveness of all principal and interest for the $260,500 PPP loan received in April 2020. During 2022, the Organization applied for and received forgiveness of all principal and interest for the $260,541 PPP loan received in January 2021.

Public Support And Revenues

The Organization reports gifts of cash and other assets as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed Nonfinancial Assets

Donated property and equipment and materials are recorded at fair value at the date of donation.

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. Donated services that meet the criteria for recognition are recorded at fair value at the date of donation. No such donated services were received in 2023 or 2022.

Contributed nonfinancial assets (in-kind contributions) were received for:

	2023	2022
Computers	$ 139,600	$ —
Technology equipment	300	255
	$ 139,900	$ 255

In-kind property contributions consist of various technology solutions and equipment to be used by the Organization and the Organization's affiliates. In-kind property and equipment contributions are valued at the fair value of the assets received based on the price for similar items.

All donated services and assets were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated assets.

Support From Local Affiliates

The Organization receives support from affiliates for providing a variety of services and consultations to the affiliates in areas such as program and administrative management, staff/volunteer recruitment and retention, board development and functioning, financial management, fundraising, marketing and public relations, college preparation success and support, alumni development and program evaluation. An annual fee, as determined by the Organization's Board of Directors, is assessed for services and consultations provided from July 1st through June 30th. Revenue, which is included in support from local affiliates on the statement of activities, is recognized as these services and consultations are provided to an affiliate.

In addition, beginning in 2023, the Organization is providing accounting services to certain affiliates on an hourly rate basis. Revenue, which is included in other income on the statement of activities, is recognized as these services are provided to the affiliate.

Opening and closing balances of receivables from affiliates for the year ended June 30, 2023 were $18,035 and $45,502, respectively. Opening and closing balances of receivables from affiliates for the year ended June 30, 2022 were $5,463 and $18,035, respectively. Management has determined that no allowance for uncollectible receivables from affiliates is necessary as of June 30, 2023 or 2022.

Description Of Program Services And Supporting Activities

The following program services and supporting activities are included in the accompanying financial statements:

Program

Program services include establishing and supporting affiliates across the United States as well as Central America. The Network Headquarters provides a variety of services to affiliates: initial program start-up (establishing the board, zoning/legal issues, developing donor base, etc.); staff recruitment and training; transition service (oversight of program during periods of local management transition); centralized accounting, insurance, human resource management, donor management and information technology, and ongoing consultation regarding fundraising and programmatic issues.

The Network Headquarters provides direct services to graduates of the Organization through its college preparation, college support and alumni programs. This includes scholarships of up to $3,000 per collegian per year.

Management And General

Includes the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the Organization's program strategy, secure proper administrative functioning of the Board of Directors and manage the financial and budgetary responsibilities of the Organization.

Fundraising

Fundraising includes activities related to identifying and accessing the resources necessary to maintain operations and achieve programmatic goals.

Expense Allocation

Expenses that are directly identifiable as related to specific functions such as scholarships, depreciation and amortization, insurance, interest and bank fees, international assistance, repairs and maintenance, supplies, telephone and internet, and utilities are charged directly to those specific functions. Expenses such as salaries, payroll taxes and benefits are allocated to multiple functions based on an analysis of personnel time and related activities. Other expenses are charged to program services and supporting activities based on the nature of the expenditure or based on management's best estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Tax Status

The Organization constitutes a qualified not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income taxes on related, exempt income.

The federal tax returns for tax years ended June 30, 2020 and later remain subject to examination by taxing authorities.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available for issue, which is the date of the Independent Auditors' Report.

2. Operations

The Organization partners with its affiliates in 13 U.S. cities, Mexico and Guatemala to bring HOPE (Homes, Opportunities, Parenting, Education) to children-in-need.

The Organization's affiliates receive a variety of services: initial program start-up (establishing the board, resolving zoning/legal issues, developing donor base, etc.); staff recruitment and training; transition services (oversight of program during periods of local management transition); centralized accounting, insurance, human resource management, donor management and information technology; and ongoing consultation. With this support from the Network Headquarters, affiliate staff is able to focus on providing the highest possible quality of service to each scholar.

The Network Headquarters provides direct services to graduates of the Organization through its college preparation, college support and alumni programs. This includes scholarships of up to $3,000 per collegian per year, supplemented by scholarships of $2,000 from the local affiliates.

The Network Headquarters' fundraising activities provide for the services described above while each affiliate generates operating support for the homes.

Each U.S. affiliate is separately incorporated in its respective state, but is covered by a group 501(c)(3) exemption.

3. Available Resources And Liquidity

As of June 30, 2023 and 2022, the Organization had the following financial assets available within one year of the statement of financial position date to meet general expenditures:

	2023	2022
Financial Assets		
Cash and cash equivalents	$ 433,271	$ 632,640
Pledges receivable	808,566	591,089
Investments	1,466,840	979,774
Due from affiliates	45,502	18,035
Total Financial Assets	2,754,179	2,221,538
Less Amounts Not Available To Be Used For General Expenditures Within One Year		
Pledges receivable due greater than one year	363,782	198,820
Amounts with donor restrictions	650,784	1,525,057
Total Amounts Not Available To Be Used For General Expenditures Within One Year	1,014,566	1,723,877
	$ 1,739,613	$ 497,661

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately $950,000). To meet liquidity needs, the Organization's investment allocation plan each year sets aside funds in short-term investments, including money market accounts.

4. Pledges Receivable

At June 30, 2023 and 2022, pledges receivable are expected to be collected as follows:

	2023	2022
Less than one year	$ 444,784	$ 392,269
One to five years	460,097	223,025
	904,881	615,294
Less: Discount on long-term pledges receivable	96,315	24,205
	$ 808,566	$ 591,089

Pledges receivable are recorded after discounting to the present value of future cash flows using discount rates ranging from 5.25% to 7.75%.

During 2023, the Organization received a $255,000 multi-year pledge commitment that is conditional on the Organization raising an equivalent amount of matching funds restricted for scholarships. At June 30, 2023, $80,659 has not yet been recognized as the equivalent matching funds have yet to be raised. $89,341 has been recognized but not yet received and is included in pledges receivable at June 30, 2023.

5. Investments

Investments are recorded at fair value and consist of:

	2023	2022
Cash and cash equivalents	$ 825,753	$ 812,738
Exchange-traded funds	9,704,818	9,214,368
Equity securities	1,000	1,000
	10,531,571	10,028,106
Less: Investments restricted/designated for endowment (Note 10)	9,064,731	9,048,332
	$ 1,466,840	$ 979,774

Investment income (loss) consists of:

	2023	2022
Interest and dividend income	$ 244,921	$ 234,847
Realized losses	(145,585)	(71,303)
Unrealized gains (losses)	999,920	(1,515,550)
	$ 1,099,256	$ (1,352,006)

The Organization accounts for certain investments at fair value as required by generally accepted accounting principles. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The valuation techniques are required to maximize the use of observable inputs and minimize the use of unobservable inputs.

There are three general valuation techniques that may be used to measure fair value, as described below:

- *Market approach* - Uses prices and other relevant information generated by market transactions involving identical or comparable asset or liabilities.
- *Cost approach* - Based on the amount that currently would be required to replace the service capacity of an asset.
- *Income approach* - Uses valuation techniques to convert future amounts to a present amount based on current market expectations about the future amounts.

Investments measured and reported at fair value are classified and disclosed in one of the following three categories:

Level 1 Quoted prices that are readily available in active markets/exchanges for identical investments.

Level 2 Pricing inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.

Level 3 Significant pricing inputs that are unobservable for the investment and includes investments for which there is little, if any, market activity for the investment.

The following are the Organization's investments measured at fair value, all of which are classified as Level 1 investments:

	2023	**2022**
Cash and cash equivalents	$ 825,753	$ 812,738
Exchange-traded funds		
Intermediate government	675,593	732,162
Intermediate-term bond	300,460	326,112
Inflation-protected bond	195,197	411,414
Corporate bond	788,671	427,387
Foreign large-cap blend	633,394	592,927
Foreign large-cap value	972,995	918,461
Real estate	199,069	192,510
U.S. large-cap value	3,565,437	3,358,115
U.S. small-cap blend	2,374,002	2,255,280
Equity securities		
Emerging markets	1,000	1,000
	$ 10,531,571	$ 10,028,106

During 2023 and 2022, there were no changes in the methods and/or assumptions utilized to derive the fair value of the Organization's investments.

6. Retirement Plans

The Organization has established a 401(k) plan covering eligible employees. Employees are eligible after a probationary period of one year. The plan provides for an employer contribution of 100% of an eligible employee's contributions up to 3% plus an employer contribution of 50% of an eligible employee's contributions that exceed 3% of the eligible employee's compensation but not more than 5% of the eligible employee's compensation. All contributions are 100% vested when made. Total contributions by the Organization amounted to $46,939 and $39,371 in 2023 and 2022, respectively.

As of June 30, 2017, the Organization also had a nonqualified 401(a) and 403(b) defined benefit pension plan (the Plan) covering former employees. Under the 401(a) and 403(b) plans, assets were funded and directed by the Organization. The provisions of the Plan allowed for the offset of the assets of the Plan against the retirement benefit payments, as defined. The retirement plan liabilities represent the actuarial present value of benefits related to a prior employee's service. During 2018, investments of the Plan were liquidated to fund a portion of this obligation. At June 30, 2023 and 2022, the pension plan assets include cash surrender value of life insurance of $87,478 and $81,023, respectively. The remaining obligation will be funded by this cash surrender value of life insurance as well by the Organization's operating funds. An annuity may be purchased in the future to satisfy the remaining obligation.

7. Affiliations And Related Parties

As of June 30, 2023, 13 local affiliate locations are incorporated in the following locations:

St. Louis, Missouri
Brooklyn, New York
Chicago, Illinois
New Orleans, Louisiana
Cincinnati, Ohio
Detroit, Michigan
Cleveland, Ohio
Phoenix, Arizona
Irvine, California
Pittsburgh, Pennsylvania
Denver, Colorado
Baltimore, Maryland
Kansas City, Missouri

Subsequent to year end, the affiliate in Kansas City, Missouri paused programming.

In addition to these domestic locations, there are two international locations:

Guatemala City, Guatemala
Monterrey, Mexico

Affiliates are required to pay an assessment under a contractual agreement. During 2023 and 2022, such assessments totaled $454,493 and $460,257, respectively.

Due from affiliates, which relate primarily to these assessments, were $45,502 and $18,035 at June 30, 2023 and 2022, respectively.

The Organization periodically receives funds intended for the affiliates. The Organization will deposit the funds and immediately issue a check or transfer funds to the intended affiliate for the donation. At June 30, 2023 and 2022, the Organization has a payable of $24,352 and $10,506, respectively, due to its affiliates.

Members of the Board of Directors of the Organization (including their related companies and organizations) contributed approximately $973,000 and $794,000 for the years ended June 30, 2023 and 2022, respectively.

8. Property And Equipment

Property and equipment consist of:

	2023	2022
Computer equipment	$ 395,799	$ 374,683
Furniture and equipment	41,526	41,526
	437,325	416,209
Less: Accumulated depreciation and amortization	187,389	119,833
	$ 249,936	$ 296,376

9. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of:

	2023			2022		
	Time And Purpose Restrictions	Perpetual In Nature	Total	Time And Purpose Restrictions	Perpetual In Nature	Total
Time restrictions	$ 92,515	$ —	$ 92,515	$ 225,000	$ —	$ 225,000
International	18,118	200,000	218,118	4,975	200,000	204,975
Jean T. McKenna National Scholarship	96,001	1,059,638	1,155,639	26,366	1,059,638	1,086,004
Other funded projects	893,686	—	893,686	633,359	—	633,359
Scholarships	217,836	—	217,836	199,914	—	199,914
Boys Hope Girls Hope Endowment Fund	669,689	7,583,406	8,253,095	171,336	7,583,406	7,754,742
	$ 1,987,845	$ 8,843,044	$ 10,830,889	$ 1,260,950	$ 8,843,044	$ 10,103,994

The net asset components are described as follows:

Time Restrictions - This component represents pledges for future operating support.

International - The International component is used to record revenue generated to help support the ongoing operations of various international programs.

Jean T. McKenna National Scholarship - The scholarship component is used to fund a portion of a youth's college education costs each year through scholarships. Boys and girls qualifying for awards must show financial need and academic achievement.

Other Funded Projects - This component is comprised of donor gifts restricted for specific projects.

Scholarships - This component is comprised of donor gifts restricted for scholarships.

Boys Hope Girls Hope Endowment Fund - This component was established to create a restricted fund that is perpetual in nature to generate income to offset general operating expenses and the costs of expansion and local program support.

Net assets were released from donor restrictions as follows:

	2023	2022
International	$ 275	$ —
Scholarships	330,760	10,125
Other funded projects	172,308	419,665
Satisfaction of time restrictions	225,000	455,000
	$ 728,343	$ 884,790

Investment return earned by the Organization's endowment funds (Note 10) was designated for current operations as follows:

	2023	2022
National Campaign and affiliate support	$ 293,181	$ 322,143
International	7,732	8,496
Jean T. McKenna National Scholarship	40,967	45,014
	$ 341,880	$ 375,653

10. Endowment Funds

The Organization's endowment consists of three individual donor-restricted endowment funds and one board-designated endowment fund established for a variety of purposes, including general national campaign and affiliate support, international assistance, and scholarships. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as endowment with donor restrictions (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that is not classified in investments in perpetuity is classified as unappropriated endowment earnings until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the funds;
(2) The purposes of the Organization and the donor-restricted endowment funds;
(3) General economic conditions;
(4) The possible effect of inflation and deflation;
(5) The expected total return from income and appreciation of investments;
(6) Other resources of the Organization; and
(7) The investment policies of the Organization.

Endowment Net Asset Composition

As of June 30, 2023 and 2022, the Organization had the following endowment funds:

	2023			
		With Donor Restrictions		
	Without Donor Restrictions	Unappropriated Endowment Earnings	Investments In Perpetuity	Total
Donor-restricted endowment funds	$ —	$ 783,808	$ 8,843,044	$ 9,626,852
Board-designated endowment fund	221,687	—	—	221,687
	$ 221,687	$ 783,808	$ 8,843,044	$ 9,848,539

	2022			
		With Donor Restrictions		
	Without Donor Restrictions	Unappropriated Endowment Earnings	Investments In Perpetuity	Total
Donor-restricted endowment funds	$ —	$ 202,677	$ 8,843,044	$ 9,045,721
Board-designated endowment fund	205,288	—	—	205,288
	$ 205,288	$ 202,677	$ 8,843,044	$ 9,251,009

Changes In Endowment Assets For The Years Ended June 30, 2023 And 2022:

		With Donor Restrictions		
	Without Donor Restrictions	Unappropriated Endowment Earnings	Investments In Perpetuity	Total
Endowment assets at July 1, 2021	$ —	$ 1,770,562	$ 8,843,044	$ 10,613,606
Investment loss	(33,642)	(1,192,232)	—	(1,225,874)
Transfers to board-designated endowment	249,530	—	—	— 249,530
Appropriation of endowment assets for expenditure	(10,600)	(375,653)	—	(386,253)
Endowment assets at June 30, 2022	205,288	202,677	8,843,044	9,251,009
Investment income	26,046	923,011	—	949,057
Appropriation of endowment assets for expenditure	(9,647)	(341,880)	—	(351,527)
Endowment assets at June 30, 2023	$ 221,687	$ 783,808	$ 8,843,044	$ 9,848,539

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature related to market fluctuations are reported in net assets with donor restrictions. There were no such deficiencies as of June 30, 2023 or 2022.

If the fair value of a donor-restricted endowment fund fell below the amount to be held in perpetuity, no distributions shall be taken from the fund.

Return Objectives And Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to maximize total return through a diversified investment strategy that achieves, over time, an annualized rate of return that supports the Organization's spending rate over the life of the Organization.

Strategies Employed For Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which distributions are funded from net investment income, net realized capital gains, and proceeds from the sale of investments. The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy And How The Investment Objectives Relate To Spending Policy

The Organization's Board of Directors determines the annual spending rate after considering the needs of the Organization, current market conditions, and the rate of inflation. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an annual rate that is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

11. Concentrations

For the years ended June 30, 2023 and 2022, approximately 19% and 11%, respectively, of contributions were from one donor.

As of June 30, 2023 and 2022, approximately 90% and 92%, respectively, of pledges receivable were from three donors and one donor, respectively.

12. Operating Lease

On September 1, 2021, the Organization entered into a lease agreement with Fair Mercantile Center 2017, LLC (the Landlord) for office space located in St Louis, Missouri. The asset under the operating lease is capitalized using a discount rate of 2.92% and amortized over the remaining life of the lease. As of June 30, 2023, 5.50 years of the lease term remains. Rent is payable in escalating annual installments. For the years 2022 through 2028, the annual rent payable starts at $47,511 and increases to $89,934. The lease expires on November 30, 2028. A one-time five year renewal option is available.

During 2023, cash paid for the operating lease totaled $52,622. Lease expense, which is included in rent on the statement of functional expenses, was $73,368 during the year ended June 30, 2023.

At June 30, 2023, the reconciliation of the undiscounted cash flows of the lease liability recorded on the statement of financial position is as follows:

Year	**Amount**
2024	$ 62,997
2025	73,614
2026	83,353
2027	88,288
2028	89,385
Thereafter	44,967
Total minimum lease payments	442,604
Less: Amount of lease payments representing interest	35,473
Present value of future minimum lease payments	407,131
Less: Current portion	52,792
	$ 354,339

On July 1, 2022, the Organization adopted the new lease standard using a modified-retrospective approach by recognizing and measuring leases at the adopting date with a cumulative effect of initially applying the guidance recognized at the date of initial application and did not restate the prior periods presented in the financial statements. Accordingly, the following information is presented for the year ended June 30, 2022 under ASC Topic 840.

Lease rental payments were recognized on a straight-line basis over the term of the lease. Minimum lease payables were recorded in an amount equal to the difference between the straight-line rental amount and the rental amount currently payable by the Organization. The minimum lease payable at June 30, 2022 was $18,984 and was included in accounts payable and accrued expenses on the statement of financial position.

Lease expense for the year ended June 30, 2022 amounted to $42,940, which was included in rent on the statement of functional expense.

Future minimum payments under the noncancellable operating lease with initial or remaining terms in excess of one year consisted of the following at June 30, 2022:

Year	**Amount**
2023	$ 52,622
2024	62,997
2025	73,614
2026	83,353
2027	88,288
Thereafter	134,352
	$ 495,226