
BOYS HOPE GIRLS HOPE

FINANCIAL STATEMENTS

JUNE 30, 2019



Boys Hope Girls Hope

Inspire. Empower. Nurture. Succeed.

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RubinBrown LLP
Certified Public Accountants &
Business Consultants

One North Brentwood
Saint Louis, MO 63105

T 314.290.3300
F 314.290.3400

W rubinbrown.com
E info@rubinbrown.com

Independent Auditors' Report

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

Report On The Financial Statements

We have audited the accompanying financial statements of Boys Hope Girls Hope, a not-for-profit organization, which comprise the statement of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Board of Directors
Boys Hope Girls Hope

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys Hope Girls Hope as of June 30, 2019 and 2018, 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.

RubinBrown LLP

November 7, 2019

BOYS HOPE GIRLS HOPE
STATEMENT OF FINANCIAL POSITION

Assets

	June 30,	
	2019	2018
Cash and cash equivalents	\$ 182,433	\$ 212,988
Pledges receivable (Notes 4 and 12)	1,185,337	904,790
Investments (Note 5)	345,622	1,361,079
Retirement plan assets (Note 6)	77,884	74,242
Due from affiliates (Note 7)	60,654	73,330
Property and equipment (Note 8)	6,858	668,425
Property held for sale (Notes 1 and 8)	659,812	—
Investments restricted for endowment (Notes 5 and 11)	8,843,044	8,843,044
Total Assets	\$ 11,361,644	\$ 12,137,898

Liabilities And Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 209,952	\$ 288,459
Retirement plan liabilities (Note 6)	150,802	159,378
Total Liabilities	360,754	447,837

Net Assets

Without donor restrictions	317,026	276,809
With donor restrictions (Notes 10 and 11)	10,683,864	11,413,252
Total Net Assets	11,000,890	11,690,061
Total Liabilities And Net Assets	\$ 11,361,644	\$ 12,137,898

BOYS HOPE GIRLS HOPE

STATEMENT OF ACTIVITIES

	For The Year Ended June 30, 2019		For The Year Ended June 30, 2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Public Support And Revenues				
Contributions (Notes 7 and 12)	\$ 1,036,065	\$ 1,600,604	\$ 2,636,669	\$ 2,927,688
Government grants	136,956	—	136,956	178,952
Support from local affiliates (Note 7)	319,778	—	319,778	—
Investment income (loss) (Note 5)	(14,362)	232,249	217,887	—
Other income (Note 7)	40,645	—	40,645	—
Investment return designated for current operations (Notes 10 and 11)	480,000	(480,000)	—	(520,000)
Net assets released from restrictions (Note 10)	2,082,241	(2,082,241)	1,827,497	(1,827,497)
Total Public Support And Revenues	4,081,323	(729,388)	3,351,935	255,285
Expenses				
Program services	2,872,994	—	2,872,994	—
Supporting activities:				
Management and general	951,524	—	954,299	—
Fundraising	216,588	—	161,934	—
Total Supporting Activities	1,168,112	—	1,116,233	—
Total Expenses	4,041,106	—	4,092,337	—
Increase (Decrease) In Net Assets Before Loss On Disposal Of Property And Equipment	40,217	(729,388)	(689,171)	255,285
Loss On Disposal Of Property And Equipment	—	—	(2,742)	—
Increase (Decrease) In Net Assets	40,217	(729,388)	(689,171)	255,285
Net Assets - Beginning Of Year	276,809	11,413,252	11,690,061	11,157,967
Net Assets - End Of Year	\$ 317,026	\$ 10,683,864	\$ 11,000,890	\$ 11,413,252

See the notes to financial statements.

BOYS HOPE GIRLS HOPE
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2019

	Program Services	Supporting Activities			Total
		Management And General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$ 727,504	\$ 701,192	\$ 188,292	\$ 889,484	\$ 1,616,988
Program support and administration	471,637	9,014	—	9,014	480,651
Scholarships	465,812	—	—	—	465,812
Depreciation and amortization	—	1,755	—	1,755	1,755
Information technology	286,091	720	—	720	286,811
Insurance, licenses, dues and personal property taxes	—	51,196	—	51,196	51,196
Interest and bank fees	—	9,495	—	9,495	9,495
International assistance	803,231	—	—	—	803,231
Postage and stationery	286	3,660	—	3,660	3,946
Professional fees	28,915	61,756	18,219	79,975	108,890
Promotion and marketing	32	9,282	—	9,282	9,314
Repairs and maintenance	—	23,615	—	23,615	23,615
Staff recruiting and education	19,938	5,778	1,499	7,277	27,215
Supplies	—	4,283	—	4,283	4,283
Travel	66,748	19,239	8,578	27,817	94,565
Telephone and internet	—	27,902	—	27,902	27,902
Utilities	—	22,637	—	22,637	22,637
Volunteers' expenses	2,800	—	—	—	2,800
	\$ 2,872,994	\$ 951,524	\$ 216,588	\$ 1,168,112	\$ 4,041,106

See the notes to financial statements.

BOYS HOPE GIRLS HOPE
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2018

	Program Services	Supporting Activities			Total
		Management And General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$ 887,369	\$ 691,566	\$ 122,108	\$ 813,674	\$ 1,701,043
Program support and administration	824,374	9,131	—	9,131	833,505
Scholarships	485,114	—	—	—	485,114
Depreciation and amortization	—	49,800	—	49,800	49,800
Information technology	185,384	2,980	—	2,980	188,364
Insurance, licenses, dues and personal property taxes	7,147	43,024	—	43,024	50,171
Interest and bank fees	—	9,754	—	9,754	9,754
International assistance	453,454	—	—	—	453,454
Postage and stationery	55	3,946	—	3,946	4,001
Professional fees	59,498	41,778	35,550	77,328	136,826
Promotion and marketing	616	11,036	—	11,036	11,652
Repairs and maintenance	—	18,273	—	18,273	18,273
Staff recruiting and education	23,610	4,333	—	4,333	27,943
Supplies	—	10,359	—	10,359	10,359
Travel	46,063	9,465	4,276	13,741	59,804
Telephone and internet	—	27,180	—	27,180	27,180
Utilities	—	21,674	—	21,674	21,674
Volunteers' expenses	3,420	—	—	—	3,420
	\$ 2,976,104	\$ 954,299	\$ 161,934	\$ 1,116,233	\$ 4,092,337

See the notes to financial statements.

BOYS HOPE GIRLS HOPE
STATEMENT OF CASH FLOWS

	For The Years Ended June 30,	
	2019	2018
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (689,171)	\$ 63,379
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation and amortization	1,755	49,800
Loss on disposal of property and equipment	—	2,742
Realized gain on sale of investments	(740,349)	(128,071)
Unrealized (gain) loss on investments	757,472	(220,486)
Donated property and equipment	—	(7,175)
Contributions restricted for endowment	—	(500,000)
Changes in assets and liabilities:		
Grant receivable	—	97,227
Pledges receivable	(280,547)	(358,906)
Due from affiliates	12,676	(31,297)
Accounts payable and accrued expenses	(78,507)	76,863
Retirement plan liabilities (net)	(12,218)	158,393
Net Cash Used In Operating Activities	(1,028,889)	(797,531)
Cash Flows From Investing Activities		
Purchases of investments	(8,543,935)	(2,072,204)
Proceeds from sale of investments	8,801,740	4,008,796
Purchases of property and equipment	—	(3,460)
Net Cash Provided By Investing Activities	257,805	1,933,132
Cash Flows From Financing Activities		
Principal payments on capital lease obligation	—	(2,831)
Proceeds from contributions restricted for endowment	—	500,000
Net Cash Provided By Financing Activities	—	497,169
Net Increase (Decrease) In Cash And Cash Equivalents	(771,084)	1,632,770
Cash And Cash Equivalents - Beginning Of Year	2,158,979	526,209
Cash And Cash Equivalents - End Of Year	\$ 1,387,895	\$ 2,158,979
Cash And Cash Equivalents Consist Of:		
Cash and cash equivalents per statement of financial position	\$ 182,433	\$ 212,988
Cash and cash equivalents included in investments (Note 5)	1,205,462	1,945,991
Cash And Cash Equivalents - End Of Year	\$ 1,387,895	\$ 2,158,979

BOYS HOPE GIRLS HOPE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 And 2018

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 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 of the assets and liabilities, as well as liquidity and financial flexibility. As a result, the Organization is required to report information regarding its financial position and activities according to the following two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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.

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 pledges, which depend upon specified future and uncertain events, are recognized as revenue when the conditions upon which they depend are substantially met. Pledges receivable are reported at the amount management expects to collect on balances outstanding at year end.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (*Continued*)

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, 2019 or 2018.

Investments And Investments Restricted 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

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (*Continued*)

Property Held for Sale

Property held for sale consists of building and improvements that the Organization utilizes in operations but is currently marketing for sale. This property is stated at cost, including improvements, less accumulated depreciation through August 1, 2018, which is the date the property was listed for sale. No asset impairment was considered necessary during the year ended June 30, 2019.

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.

Government Grants

The Organization has a grant from the Corporation for National and Community Service to fund the Organization's Links Mentoring program. Revenue is recognized as reimbursable expenses for this program are incurred. Reimbursable expenses incurred in excess of grant funds received are recorded as a grant receivable.

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 International Office 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 International Office 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.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (*Continued*)

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, licenses, dues and personal property taxes, interest and bank fees, international assistance, repairs and maintenance, supplies, telephone and internet, utilities and volunteers' expenses 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, 2016 and later remain subject to examination by taxing authorities.

Reclassifications

Certain 2018 balances have been reclassified, where appropriate, to conform with the 2019 financial statement presentation.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (*Continued*)

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.

New Accounting Standard Implemented

During 2019, the Organization implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. In accordance with the ASU, the statement of financial position presents two classes of net assets, rather than the previously required three classes. The two classes are "Net assets without donor restrictions" (previously "Unrestricted" net assets) and "Net assets with donor restrictions" (previously "Temporarily" and "Permanently" restricted net assets). The ASU also requires information concerning liquidity and the presentation of expenses by both functional and natural classifications.

2. Operations

The International Office of the Organization partners with its affiliates in 14 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 International Office, affiliate staff is able to focus on providing the highest possible quality of service to each scholar.

The International Office 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 International Office's 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.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

3. Available Resources And Liquidity

As of June 30, 2019 and 2018, the Organization had the following financial assets available within one year of the statement of financial position date to meet general expenditures:

	2019	2018
Financial Assets		
Cash and cash equivalents	\$ 182,433	\$ 212,988
Pledges receivable	1,185,337	904,790
Investments	345,622	1,361,079
Due from affiliates	60,654	73,330
Total Financial Assets	1,774,046	2,552,187
Less Amounts Not Available To Be Used For General Expenditures Within One Year		
Pledges receivable due greater than one year	655,337	454,790
Purpose donor restrictions	316,831	371,843
Total Amounts Not Available To Be Used For General Expenditures Within One Year	972,168	826,633
	\$ 801,878	\$ 1,725,554

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$849,000). 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, 2019 and 2018, pledges receivable are expected to be collected as follows:

	2019	2018
Less than one year	\$ 530,000	\$ 450,000
One to five years	705,000	490,000
	1,235,000	940,000
Less: Discount on long-term pledges receivable	49,663	35,210
	\$ 1,185,337	\$ 904,790

Pledges receivable are recorded after discounting to the present value of future cash flows using a discount rate of 3%.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

5. Investments

Investments are recorded at fair value and consist of:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,205,462	\$ 1,945,991
Certificates of deposit	—	657,693
Municipal bonds	—	1,180,353
Exchange-traded funds	4,847,920	614,371
Fixed income mutual funds	—	1,004,207
Equity mutual funds	3,133,185	3,388,491
Equity securities	2,099	1,413,017
	<u>9,188,666</u>	<u>10,204,123</u>
Less: Investments restricted for endowment (Note 11)	<u>8,843,044</u>	<u>8,843,044</u>
	<u>\$ 345,622</u>	<u>\$ 1,361,079</u>

Investment income consists of:

	<u>2019</u>	<u>2018</u>
Interest and dividend income (net)	\$ 235,010	\$ 256,360
Realized gains	740,349	128,071
Unrealized gains (losses)	<u>(757,472)</u>	<u>220,486</u>
	<u>\$ 217,887</u>	<u>\$ 604,917</u>

In 2019 and 2018, interest and dividend income is net of investment fees of \$23,437 and \$44,833, respectively.

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.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (*Continued*)

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 single 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.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

The following are the major categories of investments measured at fair value:

	June 30, 2019			June 30, 2018		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash and cash equivalents	\$ 1,205,462	\$ —	\$ 1,205,462	\$ 1,945,991	\$ —	\$ 1,945,991
Certificates of deposit	—	—	—	—	657,693	657,693
Municipal bonds	—	—	—	—	1,180,353	1,180,353
Exchange-traded funds						
Emerging markets	325,124	—	325,124	224,798	—	224,798
Intermediate government	1,382,143	—	1,382,143	—	—	—
Intermediate-term bond	1,387,610	—	1,387,610	—	—	—
Foreign small/mid-cap blend	399,675	—	399,675	—	—	—
Foreign large-cap blend	964,600	—	964,600	—	—	—
Small-cap growth	—	—	—	389,573	—	389,573
Real estate	388,768	—	388,768	—	—	—
Fixed income mutual funds	—	—	—	1,004,207	—	1,004,207
Equity mutual funds						
Foreign large-cap blend	—	—	—	314,065	—	314,065
Foreign large-cap value	—	—	—	312,189	—	312,189
Foreign large-cap growth	—	—	—	327,079	—	327,079
Foreign small/mid-cap blend	—	—	—	225,339	—	225,339
Small-cap blend	486,735	—	486,735	—	—	—
Small-cap value	—	—	—	302,748	—	302,748
Mid-cap blend	641,874	—	641,874	—	—	—
Mid-cap value	—	—	—	254,515	—	254,515
Mid-cap growth	—	—	—	312,166	—	312,166
Large-cap value	1,004,298	—	1,004,298	656,079	—	656,079
Large-cap growth	1,000,278	—	1,000,278	684,311	—	684,311
Equity securities						
Emerging markets	2,099	—	2,099	1,299	—	1,299
Foreign large-cap value	—	—	—	11,295	—	11,295
Foreign large-cap growth	—	—	—	64,320	—	64,320
Large-cap value	—	—	—	274,632	—	274,632
Large-cap growth	—	—	—	513,538	—	513,538
Large-cap blend	—	—	—	107,813	—	107,813
Mid-cap value	—	—	—	112,431	—	112,431
Mid-cap blend	—	—	—	120,025	—	120,025
Mid-cap growth	—	—	—	207,664	—	207,664
	\$ 9,188,666	\$ —	\$ 9,188,666	\$ 8,366,077	\$ 1,838,046	\$ 10,204,123

At June 30, 2018, the Level 2 assets utilize the following valuation techniques and inputs:

Certificates of Deposit: Certificates of deposit are valued at amortized cost, which approximates fair value.

Municipal Bonds: Municipal bonds are valued using techniques consistent with the income statement approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (*Continued*)

During 2019 and 2018, 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 \$43,746 and \$38,839 in 2019 and 2018, 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. During 2018, investments of the Plan were liquidated to fund a portion of the obligation. At June 30, 2019 and 2018, the pension plan assets include cash surrender value of life insurance of \$77,884 and \$74,242, 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.

The pension plan liabilities represent the actuarial present value of benefits related to a prior employee's service.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

7. Affiliations And Related Parties

As of June 30, 2019, 14 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
San Francisco, California
Baltimore, Maryland
Kansas City, Missouri

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

Guatemala City, Guatemala
Monterey, Mexico

During 2018, the local affiliate located in Baton Rouge, Louisiana and the international affiliate located in Lima, Peru were closed. The international affiliate returned unspent funds to the Organization totaling \$118,511, which were included in other income on the statement of activities.

Affiliates are required to pay an assessment under a contractual agreement. During fiscal years 2019 and 2018, such assessments totaled \$319,778 and \$321,040, respectively.

Due from affiliates, which relate primarily to these assessments, consist of:

	<u>2019</u>	<u>2018</u>
Due from affiliates	\$ 247,469	\$ 260,145
Allowance for uncollectible amounts	(186,815)	(186,815)
	<u>\$ 60,654</u>	<u>\$ 73,330</u>

The Organization periodically receives funds on behalf of affiliates. The Organization will invest those funds and remit the principal amount received with any related income earned to the affiliate upon request. At June 30, 2019 and 2018, the Organization did not owe any funds to its affiliates.

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Notes To Financial Statements (Continued)

At June 30, 2019 and 2018, the Kansas City affiliate had an outstanding balance of approximately \$145,207 and \$157,895, respectively, on a \$200,000 line of credit that has been guaranteed by the Organization.

During January 2017, the Colorado affiliate entered into a \$50,000 line of credit that had been guaranteed by the Organization. At June 30, 2018, there was no outstanding balance on the line of credit. The agreement expired on January 29, 2019 and was not renewed.

Members of the Board of Directors of the Organization (including their related companies and organizations) contributed approximately \$1,567,000 and \$1,110,000 for the years ended June 30, 2019 and 2018, respectively.

8. Property And Equipment

Property and equipment consist of:

	<u>2019</u>	<u>2018</u>
Building and improvements	\$ —	\$ 1,351,634
Computer equipment	321,478	321,478
Furniture and equipment	104,554	104,554
	<u>426,032</u>	<u>1,777,666</u>
Less: Accumulated depreciation and amortization	<u>419,174</u>	<u>1,109,241</u>
	<u>\$ 6,858</u>	<u>\$ 668,425</u>

Depreciation and amortization charged to expense amounted to \$1,755 in 2019 and \$49,800 in 2018.

As noted in Note 1, during 2019, the buildings and improvements were listed for sale and reclassified to property held for sale on the statement of financial position. Subsequent to year-end, a contract was executed to sell this property for \$999,000, subject to several contingencies.

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Notes To Financial Statements (Continued)

9. Capital Leases

The Organization was the lessee of computer equipment under a capital lease that expired in August 2017. The assets and liabilities under the capital lease were recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets were amortized over their estimated productive lives. Amortization of assets under capital leases was included in depreciation and amortization expense. As of June 30, 2019 and 2018, there was no equipment held under capital leases.

The interest rate on the capitalized lease was 5.4%, which was imputed based on the lower of the Organization's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return. The capital lease allowed for a purchase option representing the expected fair value of the equipment at the expiration of the lease term.

10. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of:

	2019			2018		
	Time And Purpose Restrictions	Perpetual In Nature	Total	Time And Purpose Restrictions	Perpetual In Nature	Total
National Campaign and affiliate support	\$ —	\$ —	\$ —	\$ 176,506	\$ —	\$ 176,506
Time restrictions	275,337	—	275,337	290,000	—	290,000
International	288,638	200,000	488,638	856,003	200,000	1,056,003
Jean T. McKenna National Scholarship	177,350	1,059,638	1,236,988	247,327	1,059,638	1,306,965
Other funded projects	1,030,277	—	1,030,277	718,692	—	718,692
Boys Hope Girls Hope Endowment Fund	69,218	7,583,406	7,652,624	281,680	7,583,406	7,865,086
	<u>\$ 1,840,820</u>	<u>\$ 8,843,044</u>	<u>\$ 10,683,864</u>	<u>\$ 2,570,208</u>	<u>\$ 8,843,044</u>	<u>\$ 11,413,252</u>

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Notes To Financial Statements (Continued)

The net asset components are described as follows:

National Campaign And Affiliate Support - This component was established in 2002 to record contributions generated by the previous National Campaign and related investment income. These funds will be utilized for the challenge grant match, scholarships, international support and affiliate services.

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.

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:

	<u>2019</u>	<u>2018</u>
National Campaign and affiliate support	\$ 176,506	\$ 549,701
International	867,408	421,254
Jean T. McKenna National Scholarship	180,840	210,552
Other funded projects	782,487	645,990
Satisfaction of time restrictions	75,000	—
	<u>\$ 2,082,241</u>	<u>\$ 1,827,497</u>

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Notes To Financial Statements (Continued)

Investment return earned by the Organization's endowment funds (Note 11) was designated for current operations as follows:

	<u>2019</u>	<u>2018</u>
National Campaign and affiliate support	\$ 411,627	\$ 445,929
International	10,856	11,761
Jean T. McKenna National Scholarship	57,517	62,310
	<u>\$ 480,000</u>	<u>\$ 520,000</u>

11. Endowment Funds

The Organization's endowment consists of three individual donor-restricted endowment funds 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;

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Notes To Financial Statements (Continued)

- (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, 2019 and 2018, the Organization had the following endowment funds:

	2019		
	Unappropriated Endowment Earnings	Investments In Perpetuity	Total
Donor-restricted endowment funds	\$ 83,594	\$ 8,843,044	\$ 8,926,638

	2018		
	Unappropriated Endowment Earnings	Investments In Perpetuity	Total
Donor-restricted endowment funds	\$ 331,345	\$ 8,843,044	\$ 9,174,389

Changes In Endowment Assets For The Fiscal Years Ended June 30, 2019 And 2018:

	Unappropriated Endowment Earnings	Investments In Perpetuity	Total
Endowment assets at July 1, 2017	\$ 288,261	\$ 8,343,044	\$ 8,631,305
Investment income	563,084	—	563,084
Contributions	—	500,000	500,000
Appropriation of endowment assets for expenditure	(520,000)	—	(520,000)
Endowment assets at June 30, 2018	331,345	8,843,044	9,174,389
Investment income	232,249	—	232,249
Appropriation of endowment assets for expenditure	(480,000)	—	(480,000)
Endowment assets at June 30, 2019	\$ 83,594	\$ 8,843,044	\$ 8,926,638

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Notes To Financial Statements (*Continued*)

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, 2019 or 2018.

If the fair value of a donor-restricted endowment fund fell below the amount to be held in perpetuity, the Board of Directors shall determine the appropriate distribution, if any, to 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 Organizations 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.

12. Concentrations

As of and for the year ended June 30, 2019, approximately 61% of pledges receivable and approximately 36% of contributions were from one donor, due to a significant endowment gift and four-year pledge from this donor during 2019.

As of and for the year ended June 30, 2018, approximately 75% of pledges receivable and approximately 57% of contributions were from four donors.