
BOYS HOPE GIRLS HOPE
FINANCIAL STATEMENTS
JUNE 30, 2017



Boys Hope Girls Hope

Inspire. Empower. Nurture. Succeed.

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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, 2017 and 2016, 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.

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, 2017 and 2016, 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, 2017

BOYS HOPE GIRLS HOPE

STATEMENT OF FINANCIAL POSITION

Assets

	June 30,	
	2017	2016
Cash and cash equivalents	\$ 238,322	\$ 128,097
Grant receivable	97,227	—
Pledges receivable (Note 3)	545,884	—
Investments (Note 4)	1,791,010	2,143,792
Retirement plan assets (Note 5)	311,947	280,578
Due from affiliates (Note 6)	42,033	192,809
Property and equipment (Notes 7 and 9)	710,332	792,665
Investments restricted for endowment (Notes 4 and 11)	8,343,044	8,343,044
Total Assets	\$ 12,079,799	\$ 11,880,985

Liabilities And Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 211,596	\$ 317,956
Retirement plan liabilities (Note 5)	238,690	209,712
Capital lease obligations (Note 9)	2,831	32,834
Total Liabilities	453,117	560,502

Net Assets

Unrestricted	468,715	199,683
Temporarily restricted (Note 10)	2,814,923	2,777,756
Permanently restricted (Notes 10 and 11)	8,343,044	8,343,044
Total Net Assets	11,626,682	11,320,483
Total Liabilities And Net Assets	\$ 12,079,799	\$ 11,880,985

BOYS HOPE GIRLS HOPE
STATEMENT OF ACTIVITIES

	For The Year Ended June 30, 2017				For The Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support And Revenues								
Contributions (Notes 6 and 12)	\$ 672,502	\$ 1,721,099	\$ —	\$ 2,393,601	\$ 769,685	\$ 809,155	\$ —	\$ 1,578,840
Government grants	382,317	—	—	382,317	191,579	—	—	191,579
Support from local affiliates (Note 6)	335,620	—	—	335,620	335,620	—	—	335,620
Investment income (loss) (Note 4)	125,231	797,710	—	922,941	(92,691)	(169,025)	—	(261,716)
Other income	6,456	—	—	6,456	3,829	—	—	3,829
Investment return designated for current operations (Notes 10 and 11)	521,000	(521,000)	—	—	613,000	(613,000)	—	—
Net assets released from restrictions (Note 10)	1,960,642	(1,960,642)	—	—	1,375,182	(1,375,182)	—	—
Total Public Support And Revenues	4,003,768	37,167	—	4,040,935	3,196,204	(1,348,052)	—	1,848,152
Expenses								
Program services	3,173,615	—	—	3,173,615	3,129,401	—	—	3,129,401
Supporting activities:								
Management and general	500,799	—	—	500,799	401,650	—	—	401,650
Fundraising	60,322	—	—	60,322	50,077	—	—	50,077
Total Supporting Activities	561,121	—	—	561,121	451,727	—	—	451,727
Total Expenses	3,734,736	—	—	3,734,736	3,581,128	—	—	3,581,128
Increase (Decrease) In Net Assets	269,032	37,167	—	306,199	(384,924)	(1,348,052)	—	(1,732,976)
Net Assets - Beginning Of Year	199,683	2,777,756	8,343,044	11,320,483	584,607	4,125,808	8,343,044	13,053,459
Net Assets - End Of Year	\$ 468,715	\$ 2,814,923	\$ 8,343,044	\$ 11,626,682	\$ 199,683	\$ 2,777,756	\$ 8,343,044	\$ 11,320,483

BOYS HOPE GIRLS HOPE

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2017

	Program Services	Supporting Activities			Total
		Management And General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$ 1,293,759	\$ 230,384	\$ 59,374	\$ 289,758	\$ 1,583,517
Program support and administration	558,098	13,622	—	13,622	571,720
Scholarship	476,210	—	—	—	476,210
Depreciation and amortization	—	82,333	—	82,333	82,333
Information technology	187,236	14,466	—	14,466	201,702
Insurance, licenses, dues and personal property taxes	17,632	21,581	—	21,581	39,213
Interest and bank fees	4,320	9,133	—	9,133	13,453
International assistance	442,986	—	—	—	442,986
Postage and stationery	275	2,281	—	2,281	2,556
Professional fees	110,688	39,725	—	39,725	150,413
Promotion and marketing	1,764	4,015	—	4,015	5,779
Repairs and maintenance	—	20,596	—	20,596	20,596
Staff recruiting and education	21,481	3,530	948	4,478	25,959
Supplies	119	7,599	—	7,599	7,718
Travel	37,568	19,025	—	19,025	56,593
Utilities	4,359	32,509	—	32,509	36,868
Volunteers' expenses	17,120	—	—	—	17,120
	\$ 3,173,615	\$ 500,799	\$ 60,322	\$ 561,121	\$ 3,734,736

BOYS HOPE GIRLS HOPE

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended June 30, 2016

	Program Services	Supporting Activities			Total
		Management And General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$ 1,246,936	\$ 223,066	\$ 44,118	\$ 267,184	\$ 1,514,120
Program support and administration	404,146	8,484	—	8,484	412,630
Scholarship	424,696	—	—	—	424,696
Depreciation and amortization	48,770	28,449	4,064	32,513	81,283
Information technology	329,952	7,920	—	7,920	337,872
Insurance, licenses, dues and personal property taxes	15,521	12,868	—	12,868	28,389
Interest and bank fees	5,912	4,345	—	4,345	10,257
International assistance	459,745	—	—	—	459,745
Postage and stationery	712	2,498	—	2,498	3,210
Professional fees	87,339	34,409	—	34,409	121,748
Promotion and marketing	3,438	2,110	—	2,110	5,548
Repairs and maintenance	—	21,771	—	21,771	21,771
Staff recruiting and education	21,718	1,216	1,895	3,111	24,829
Supplies	5,814	9,586	—	9,586	15,400
Travel	47,772	8,566	—	8,566	56,338
Utilities	5,716	36,362	—	36,362	42,078
Volunteers' expenses	21,214	—	—	—	21,214
	\$ 3,129,401	\$ 401,650	\$ 50,077	\$ 451,727	\$ 3,581,128

BOYS HOPE GIRLS HOPE
STATEMENT OF CASH FLOWS

	For The Years Ended June 30,	
	2017	2016
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 306,199	\$ (1,732,976)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation and amortization	82,333	81,283
Imputed interest on capital lease obligation	3,790	3,971
Realized gain on sale of investments	(290,596)	(26,437)
Unrealized (gain) loss on investments	(443,044)	645,198
Changes in assets and liabilities:		
Increase in grant receivable	(97,227)	—
(Increase) decrease in pledges receivable	(545,884)	80,000
(Increase) decrease in due from affiliates	150,776	(44,075)
Increase in retirement plan assets (net)	(2,391)	(2,361)
Increase (decrease) in accounts payable and accrued expenses	(106,360)	18,862
Net Cash Used In Operating Activities	(942,404)	(976,535)
Cash Flows From Investing Activities		
Purchases of investments	(1,258,987)	(1,755,062)
Proceeds from sale of investments	2,421,345	2,532,554
Purchases of property and equipment	—	(4,568)
Net Cash Provided By Investing Activities	1,162,358	772,924
Cash Flows Used in Financing Activities		
Principal payments on capital lease obligation	(33,793)	(37,944)
Net Increase (Decrease) In Cash And Cash Equivalents	186,161	(241,555)
Cash And Cash Equivalents - Beginning Of Year	340,048	581,603
Cash And Cash Equivalents - End Of Year	\$ 526,209	\$ 340,048
Cash And Cash Equivalents Consist Of:		
Cash and cash equivalents per statement of financial position	\$ 238,322	\$ 128,097
Cash and cash equivalents included in investments (Note 4)	287,887	211,951
Cash And Cash Equivalents - End Of Year	\$ 526,209	\$ 340,048

BOYS HOPE GIRLS HOPE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 And 2016

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 three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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 an allowance for uncollectible pledges receivable is not necessary as of June 30, 2017 or 2016.

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 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

Restricted And Unrestricted Public Support And Revenues

The Organization reports gifts of cash and other assets as unrestricted, temporarily restricted or permanently restricted, 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Government Grants

The Organization has a three-year grant from the Corporation for National and Community Service to fund the Organization's Links Mentoring program, which expires in September 2018. 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 and South 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.

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.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements *(Continued)*

Fundraising

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

Expense Allocation

Expenses are charged to program services and supporting activities on the basis of periodic time and expense studies. 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, 2014 and later remain subject to examination by taxing authorities.

Subsequent Events

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

Reclassifications

Certain 2016 amounts have been reclassified, where appropriate, to conform to the 2017 presentation.

2. Operations

The International Office of the Organization partners with its affiliates in 15 U.S. cities, Peru, Mexico and Guatemala to bring HOPE (Homes, Opportunities, Parenting, Education) to children-in-need.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

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.

3. Pledges Receivable

There were no pledges receivable at June 30, 2016. At June 30, 2017, pledge receivables are expected to be collected as follows:

Less than one year	\$ 315,000
One to five years	<u>250,000</u>
	565,000
Less: Discount on long-term pledges receivable	<u>19,116</u>
	<u><u>\$ 545,884</u></u>

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)

At June 30, 2017, the Organization had conditional pledges receivable that have not been recognized as revenue in the statement of activities. The amount of one of the pledges receivable is conditional on the number of scholars that complete a specified academic program. Another pledge receivable is conditional on the Organization raising matching contributions over a three-year period for the Organization's international programs. The matching component of this pledge receivable is \$70,000, of which \$30,000 has been met. \$20,000 is still to be collected and is included in pledges receivable above. Contribution revenue will continue to be recognized as these conditions are met. There were no conditional promises to give as of June 30, 2016.

4. Investments

Investments are recorded at fair value and consist of:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 287,887	\$ 211,951
Certificates of deposit	670,978	814,755
Municipal bonds	1,004,875	844,993
Fixed income funds	642,372	615,941
Equity funds	6,447,513	6,506,288
Equity securities	1,319,119	1,702,620
	<u>10,372,744</u>	<u>10,696,548</u>
Less: Retirement plan investments (Note 5)	238,690	209,712
Less: Investments restricted for endowment (Note 11)	8,343,044	8,343,044
	<u>\$ 1,791,010</u>	<u>\$ 2,143,792</u>

Investment income (loss) consists of:

	<u>2017</u>	<u>2016</u>
Interest and dividend income (net)	\$ 189,301	\$ 357,045
Realized gains	290,596	26,437
Unrealized gains (losses)	443,044	(645,198)
	<u>\$ 922,941</u>	<u>\$ (261,716)</u>

In 2017 and 2016, interest and dividend income is net of investment fees of \$46,012 and \$49,258, respectively.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (*Continued*)

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 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, 2017			June 30, 2016		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash and cash equivalents	\$ 287,887	\$ —	\$ 287,887	\$ 211,951	\$ —	\$ 211,951
Certificates of deposit	—	670,978	670,978	—	814,755	814,755
Municipal bonds	—	1,004,875	1,004,875	—	844,993	844,993
Fixed income funds	642,372	—	642,372	615,941	—	615,941
Equity funds						
Emerging markets	267,774	—	267,774	305,357	—	305,357
Foreign large-cap blend	354,978	—	354,978	357,646	—	357,646
Foreign large-cap value	321,016	—	321,016	280,859	—	280,859
Foreign large-cap growth	276,530	—	276,530	317,179	—	317,179
Foreign small/mid-cap blend	298,244	—	298,244	245,633	—	245,633
World allocation	20,017	—	20,017	33,328	—	33,328
Small-cap value	343,327	—	343,327	384,768	—	384,768
Small-cap growth	322,938	—	322,938	339,610	—	339,610
Mid-cap value	152,023	—	152,023	—	—	—
Mid-cap growth	312,882	—	312,882	416,142	—	416,142
Large-cap value	602,406	—	602,406	530,995	—	530,995
Large-cap growth	695,966	—	695,966	587,383	—	587,383
Large-cap blend	10,920	—	10,920	8,924	—	8,924
Managed futures	590,312	—	590,312	678,224	—	678,224
Hedged strategies	1,248,199	—	1,248,199	1,271,433	—	1,271,433
Real estate	629,981	—	629,981	748,807	—	748,807
Equity securities						
Emerging markets	2,636	—	2,636	—	—	—
Foreign large-cap growth	52,863	—	52,863	32,650	—	32,650
Large-cap value	248,520	—	248,520	392,221	—	392,221
Large-cap growth	506,478	—	506,478	548,490	—	548,490
Large-cap blend	93,886	—	93,886	—	—	—
Small-cap blend	50,473	—	50,473	119,900	—	119,900
Small-cap growth	—	—	—	95,325	—	95,325
Mid-cap value	109,575	—	109,575	157,969	—	157,969
Mid-cap blend	—	—	—	44,338	—	44,338
Mid-cap growth	254,688	—	254,688	311,727	—	311,727
	\$ 8,696,891	\$ 1,675,853	\$ 10,372,744	\$ 9,036,800	\$ 1,659,748	\$ 10,696,548

At June 30, 2017 and 2016, 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 2017 and 2016, there were no changes in the methods and/or assumptions utilized to derive the fair value of the Organization's investments.

5. Retirement Plans

The Organization has established a 401(k) plan covering eligible employees. The plan provides for a discretionary employer contribution of up to 3% of eligible compensation and a discretionary match of 100% of the first 3.5% of eligible employee contributions. Total contributions by the Organization amounted to \$48,194 and \$41,294 in 2017 and 2016, respectively.

The Organization also has 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 are funded and directed by the Organization. The provisions of the Plan allow for the offset of the assets of the Plan against the retirement benefit payments, as defined.

At June 30, 2017 and 2016, the pension plan assets include:

	<u>2017</u>	<u>2016</u>
Investments (Note 4)	\$ 238,690	\$ 209,712
Cash surrender value of life insurance	73,257	70,866
	<u>\$ 311,947</u>	<u>\$ 280,578</u>

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

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

6. Affiliations And Related Parties

As of June 30, 2017, 15 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
Baton Rouge, Louisiana
San Francisco, California
Baltimore, Maryland
Kansas City, Missouri

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

Guatemala City, Guatemala
Lima, Peru
Monterey, Mexico

Affiliates are required to pay an assessment under a contractual agreement. During fiscal years 2017 and 2016, such assessments totaled \$335,620.

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

	<u>2017</u>	<u>2016</u>
Due from affiliates	\$ 172,958	\$ 192,809
Allowance for uncollectible amounts	(130,925)	—
	<u>\$ 42,033</u>	<u>\$ 192,809</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, 2017 and 2016, the Organization did not owe any funds to its affiliates.

At June 30, 2017 and 2016, the Kansas City affiliate had an outstanding balance of approximately \$162,109 and \$107,000, respectively, on a \$200,000 line of credit that has been guaranteed by the Organization.

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Notes To Financial Statements (Continued)

During January 2017, the Colorado affiliate entered into a \$50,000 line of credit that has been guaranteed by the Organization. At June 30, 2017, there was no outstanding balance on the line of credit.

Members of the Board of Directors of the Organization (including their related companies and organizations) contributed approximately \$1,122,000 and \$551,000 for the years ended June 30, 2017 and 2016, respectively.

7. Property And Equipment

Property and equipment consist of:

	<u>2017</u>	<u>2016</u>
Building and improvements	\$ 1,182,244	\$ 1,182,244
Computer equipment	501,752	501,752
Computer equipment under capital leases (Note 9)	149,280	149,280
Furniture and equipment	104,554	104,554
	<u>1,937,830</u>	<u>1,937,830</u>
Less: Accumulated depreciation and amortization	1,227,498	1,145,165
	<u>\$ 710,332</u>	<u>\$ 792,665</u>

Depreciation and amortization charged to expense amounted to \$82,333 in 2017 and \$81,283 in 2016.

8. Line Of Credit

The Organization has a revolving line-of-credit agreement with a maximum draw amount of \$250,000. There was no outstanding balance at June 30, 2017 or 2016. Interest is payable monthly at the prime rate not to be less than 4%. Under the terms of this agreement, any outstanding balance is payable on demand and is unsecured.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

9. Capital Leases

The Organization is the lessee of computer equipment under a capital lease expiring in August 2017 and was the lessee under a capital lease that expired in July 2016. Assets under the capital lease that expired during 2016 were purchased by the Organization. The assets and liabilities under these capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization of assets under capital leases is included in depreciation and amortization expense.

Following is a summary of equipment held under capital leases:

	<u>2017</u>	<u>2016</u>
Computer equipment	\$ 149,280	\$ 149,280
Less: Accumulated depreciation	(149,280)	(119,424)
	<u>\$ —</u>	<u>\$ 29,856</u>

The interest rate on the remaining capitalized lease is 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 allows for a purchase option representing the expected fair value of the equipment at the expiration of the lease term.

Minimum future lease payments under the capital lease as of June 30, 2017 totaled \$2,831 and were due in 2018.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

10. Net Assets

Temporarily and permanently restricted net assets are comprised of the following:

	2017		2016	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
National Campaign and affiliate support	\$ 1,202,920	\$ —	\$ 1,892,618	\$ —
International	387,639	200,000	255,190	200,000
Jean T. McKenna				
National Scholarship	311,617	1,059,638	25,000	1,059,638
Other funded projects	668,013	—	595,145	—
Boys Hope Girls Hope Endowment Fund	244,734	7,083,406	9,803	7,083,406
	<u>\$ 2,814,923</u>	<u>\$ 8,343,044</u>	<u>\$ 2,777,756</u>	<u>\$ 8,343,044</u>

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.

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 permanently restricted fund to generate income to offset general operating expenses and the costs of expansion and local program support.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

Net assets were released from donor restrictions as follows:

	<u>2017</u>	<u>2016</u>
National Campaign and affiliate support	\$ 696,698	\$ 492,261
International	400,000	445,050
Jean T. McKenna National Scholarship	267,457	211,502
Other funded projects	596,487	226,369
	<u>\$ 1,960,642</u>	<u>\$ 1,375,182</u>

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

	<u>2017</u>	<u>2017</u>
National Campaign and affiliate support	\$ 442,339	\$ 520,449
International	12,489	14,695
Jean T. McKenna National Scholarship	66,172	77,856
	<u>\$ 521,000</u>	<u>\$ 613,000</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.

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Notes To Financial Statements (Continued)

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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Investment earnings that are not classified in permanently restricted net assets are classified as temporarily restricted net assets 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, 2017 and 2016, the Organization had the following endowment funds:

	2017		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 288,261	\$ 8,343,044	\$ 8,631,305

	2016		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 11,551	\$ 8,343,044	\$ 8,354,595

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

Changes In Endowment Assets For The Fiscal Years Ended June 30, 2017 And 2016:

	Temporarily Restricted	Permanently Restricted	Total
Endowment assets at July 1, 2015	\$ 793,576	\$ 8,343,044	\$ 9,136,620
Investment loss	(169,025)	—	(169,025)
Appropriation of endowment assets for expenditure	(613,000)	—	(613,000)
Endowment assets at June 30, 2016	11,551	8,343,044	8,354,595
Investment income	797,710	—	797,710
Appropriation of endowment assets for expenditure	(521,000)	—	(521,000)
Endowment assets at June 30, 2017	\$ 288,261	\$ 8,343,044	\$ 8,631,305

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 unrestricted net assets. There were no such deficiencies as of June 30, 2017 or 2016.

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, 2017, approximately 75% of pledges receivable and approximately 43% of contributions were from three donors.

For the year ended June 30, 2016, approximately 36% of contributions were from two donors.