
BOYS HOPE GIRLS HOPE
FINANCIAL STATEMENTS
JUNE 30, 2018



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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, 2018 and 2017, 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, 2018 and 2017, 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

October 18, 2018

BOYS HOPE GIRLS HOPE

STATEMENT OF FINANCIAL POSITION

Assets

	June 30,	
	2018	2017
Cash and cash equivalents	\$ 212,988	\$ 238,322
Grant receivable	—	97,227
Pledges receivable (Notes 3 and 11)	904,790	545,884
Investments (Note 4)	1,361,079	1,791,010
Retirement plan assets (Note 5)	74,242	311,947
Due from affiliates (Note 6)	73,330	42,033
Property and equipment (Notes 7 and 8)	668,425	710,332
Investments restricted for endowment (Notes 4 and 10)	8,843,044	8,343,044
Total Assets	\$ 12,137,898	\$ 12,079,799

Liabilities And Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 288,459	\$ 211,596
Retirement plan liabilities (Note 5)	159,378	238,690
Capital lease obligations (Note 8)	—	2,831
Total Liabilities	447,837	453,117
Net Assets		
Unrestricted	276,809	468,715
Temporarily restricted (Note 9)	2,570,208	2,814,923
Permanently restricted (Notes 9 and 10)	8,843,044	8,343,044
Total Net Assets	11,690,061	11,626,682
Total Liabilities And Net Assets	\$ 12,137,898	\$ 12,079,799

BOYS HOPE GIRLS HOPE
STATEMENT OF ACTIVITIES

	For The Year Ended June 30, 2018				For The Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support And Revenues								
Contributions (Notes 6 and 11)	\$ 887,990	\$ 1,539,698	\$ 500,000	\$ 2,927,688	\$ 672,502	\$ 1,721,099	\$ —	\$ 2,393,601
Government grants	178,952	—	—	178,952	382,317	—	—	382,317
Support from local affiliates (Note 6)	321,040	—	—	321,040	335,620	—	—	335,620
Investment income (Note 4)	41,833	563,084	—	604,917	125,231	797,710	—	922,941
Other income (Note 6)	125,861	—	—	125,861	6,456	—	—	6,456
Investment return designated for current operations (Notes 9 and 10)	520,000	(520,000)	—	—	521,000	(521,000)	—	—
Net assets released from restrictions (Note 9)	1,827,497	(1,827,497)	—	—	1,960,642	(1,960,642)	—	—
Total Public Support And Revenues	3,903,173	(244,715)	500,000	4,158,458	4,003,768	37,167	—	4,040,935
Expenses								
Program services	2,976,106	—	—	2,976,106	3,173,615	—	—	3,173,615
Supporting activities:								
Management and general	954,297	—	—	954,297	500,799	—	—	500,799
Fundraising	161,934	—	—	161,934	60,322	—	—	60,322
Total Supporting Activities	1,116,231	—	—	1,116,231	561,121	—	—	561,121
Total Expenses	4,092,337	—	—	4,092,337	3,734,736	—	—	3,734,736
Increase (Decrease) In Net Assets Before Loss On Disposal Of Property And Equipment	(189,164)	(244,715)	500,000	66,121	269,032	37,167	—	306,199
Loss On Disposal Of Property And Equipment	(2,742)	—	—	(2,742)	—	—	—	—
Increase (Decrease) In Net Assets	(191,906)	(244,715)	500,000	63,379	269,032	37,167	—	306,199
Net Assets - Beginning Of Year	468,715	2,814,923	8,343,044	11,626,682	199,683	2,777,756	8,343,044	11,320,483
Net Assets - End Of Year	\$ 276,809	\$ 2,570,208	\$ 8,843,044	\$ 11,690,061	\$ 468,715	\$ 2,814,923	\$ 8,343,044	\$ 11,626,682

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	\$ 895,868	\$ 691,566	\$ 122,108	\$ 813,674	\$ 1,709,542
Program support and administration	824,374	9,131	—	9,131	833,505
Scholarship	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	—	43,024	—	43,024	43,024
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	—	18,272	—	18,272	18,272
Staff recruiting and education	22,260	4,333	—	4,333	26,593
Supplies	—	10,358	—	10,358	10,358
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
	\$ 2,976,106	\$ 954,297	\$ 161,934	\$ 1,116,231	\$ 4,092,337

BOYS HOPE GIRLS HOPE

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended June 30, 2017

	Supporting Activities					Total
	Program Services	Management And General	Fundraising	Total		
Salaries, payroll taxes and benefits	\$ 1,294,172	\$ 230,384	\$ 59,374	\$ 289,758	\$ 1,583,930	
Program support and administration	557,685	13,622	—	13,622	571,307	
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	519,186	—	—	—	519,186	
Postage and stationery	276	2,281	—	2,281	2,557	
Professional fees	34,488	39,725	—	39,725	74,213	
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	37,569	19,025	—	19,025	56,594	
Utilities	4,359	32,509	—	32,509	36,868	
Volunteers' expenses	17,118	—	—	—	17,118	
	\$ 3,173,615	\$ 500,799	\$ 60,322	\$ 561,121	\$ 3,734,736	

BOYS HOPE GIRLS HOPE
STATEMENT OF CASH FLOWS

	For The Years Ended June 30,	
	2018	2017
Cash Flows From Operating Activities		
Increase in net assets	\$ 63,379	\$ 306,199
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation and amortization	49,800	82,333
Loss on disposal of property and equipment	2,742	—
Imputed interest on capital lease obligation	—	3,790
Realized gain on sale of investments	(128,071)	(290,596)
Unrealized gain on investments	(220,486)	(443,044)
Donated property and equipment	(7,175)	—
Contributions restricted for endowment	(500,000)	—
Changes in assets and liabilities:		
(Increase) decrease in grant receivable	97,227	(97,227)
Increase in pledges receivable	(358,906)	(545,884)
(Increase) decrease in due from affiliates	(31,297)	150,776
(Increase) decrease in retirement plan assets (net)	158,393	(2,391)
Increase (decrease) in accounts payable and accrued expenses	76,863	(106,360)
Net Cash Used In Operating Activities	(797,531)	(942,404)
Cash Flows From Investing Activities		
Purchases of investments	(2,072,204)	(1,258,987)
Proceeds from sale of investments	4,008,796	2,421,345
Purchases of property and equipment	(3,460)	—
Net Cash Provided By Investing Activities	1,933,132	1,162,358
Cash Flows From Financing Activities		
Principal payments on capital lease obligation	(2,831)	(33,793)
Proceeds from contributions restricted for endowment	500,000	—
Net Cash Provided By (Used In) Financing Activities	497,169	(33,793)
Net Increase In Cash And Cash Equivalents	1,632,770	186,161
Cash And Cash Equivalents - Beginning Of Year	526,209	340,048
Cash And Cash Equivalents - End Of Year	\$ 2,158,979	\$ 526,209
Cash And Cash Equivalents Consist Of:		
Cash and cash equivalents per statement of financial position	\$ 212,988	\$ 238,322
Cash and cash equivalents included in investments (Note 4)	1,945,991	287,887
Cash And Cash Equivalents - End Of Year	\$ 2,158,979	\$ 526,209

BOYS HOPE GIRLS HOPE

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 And 2017

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, 2018 or 2017.

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

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, 2015 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 2017 amounts have been reclassified, where appropriate, to conform to the 2018 presentation.

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.

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

At June 30, 2018 and 2017, pledge receivables are expected to be collected as follows:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 450,000	\$ 315,000
One to five years	490,000	250,000
	<u>940,000</u>	<u>565,000</u>
Less: Discount on long-term pledges receivable	<u>35,210</u>	<u>19,116</u>
	<u>\$ 904,790</u>	<u>\$ 545,884</u>

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

There were no conditional promises to give as of June 30, 2018 or 2017.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

4. Investments

Investments are recorded at fair value and consist of:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,945,991	\$ 287,887
Certificates of deposit	657,693	670,978
Municipal bonds	1,180,353	1,004,875
Fixed income funds	1,004,207	642,372
Equity funds	4,002,862	6,447,513
Equity securities	1,413,017	1,319,119
	<u>10,204,123</u>	<u>10,372,744</u>
Less: Retirement plan investments (Note 5)	—	238,690
Less: Investments restricted for endowment (Note 10)	8,843,044	8,343,044
	<u>\$ 1,361,079</u>	<u>\$ 1,791,010</u>

Investment income consists of:

	<u>2018</u>	<u>2017</u>
Interest and dividend income (net)	\$ 256,360	\$ 189,301
Realized gains	128,071	290,596
Unrealized gains	220,486	443,044
	<u>\$ 604,917</u>	<u>\$ 922,941</u>

In 2018 and 2017, interest and dividend income is net of investment fees of \$44,833 and \$46,012, 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, 2018			June 30, 2017		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash and cash equivalents	\$ 1,945,991	\$ —	\$ 1,945,991	\$ 287,887	\$ —	\$ 287,887
Certificates of deposit	—	657,693	657,693	—	670,978	670,978
Municipal bonds	—	1,180,353	1,180,353	—	1,004,875	1,004,875
Fixed income funds	1,004,207	—	1,004,207	642,372	—	642,372
Equity funds						
Emerging markets	224,798	—	224,798	267,774	—	267,774
Foreign large-cap blend	314,065	—	314,065	354,978	—	354,978
Foreign large-cap value	312,189	—	312,189	321,016	—	321,016
Foreign large-cap growth	327,079	—	327,079	276,530	—	276,530
Foreign small/mid-cap blend	225,339	—	225,339	298,244	—	298,244
World allocation	—	—	—	20,017	—	20,017
Small-cap value	302,748	—	302,748	343,327	—	343,327
Small-cap growth	389,573	—	389,573	322,938	—	322,938
Mid-cap value	254,515	—	254,515	152,023	—	152,023
Mid-cap growth	312,166	—	312,166	312,882	—	312,882
Large-cap value	656,079	—	656,079	602,406	—	602,406
Large-cap growth	684,311	—	684,311	695,966	—	695,966
Large-cap blend	—	—	—	10,920	—	10,920
Managed futures	—	—	—	590,312	—	590,312
Hedged strategies	—	—	—	1,248,199	—	1,248,199
Real estate	—	—	—	629,981	—	629,981
Equity securities						
Emerging markets	1,299	—	1,299	2,636	—	2,636
Foreign large-cap value	11,295	—	11,295	—	—	—
Foreign large-cap growth	64,320	—	64,320	52,863	—	52,863
Large-cap value	274,632	—	274,632	248,520	—	248,520
Large-cap growth	513,538	—	513,538	506,478	—	506,478
Large-cap blend	107,813	—	107,813	93,886	—	93,886
Small-cap blend	—	—	—	50,473	—	50,473
Mid-cap value	112,431	—	112,431	109,575	—	109,575
Mid-cap blend	120,025	—	120,025	—	—	—
Mid-cap growth	207,664	—	207,664	254,688	—	254,688
	\$ 8,366,077	\$ 1,838,046	\$ 10,204,123	\$ 8,696,891	\$ 1,675,853	\$ 10,372,744

At June 30, 2018 and 2017, 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 2018 and 2017, 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 \$38,839 and \$48,194 in 2018 and 2017, 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, the investments of the Plan were liquidated to fund required retirement benefit payments.

At June 30, 2018 and 2017, the pension plan assets include:

	<u>2018</u>	<u>2017</u>
Investments (Note 4)	\$ —	\$ 238,690
Cash surrender value of life insurance	74,242	73,257
	<u>\$ 74,242</u>	<u>\$ 311,947</u>

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

6. Affiliations And Related Parties

As of June 30, 2018, 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 are included in other income on the statement of activities.

Affiliates are required to pay an assessment under a contractual agreement. During fiscal years 2018 and 2017, such assessments totaled \$321,040 and \$335,620, respectively.

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

	<u>2018</u>	<u>2017</u>
Due from affiliates	\$ 260,145	\$ 172,958
Allowance for uncollectible amounts	(186,815)	(130,925)
	<u>\$ 73,330</u>	<u>\$ 42,033</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, 2018 and 2017, the Organization did not owe any funds to its affiliates.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

At June 30, 2018 and 2017, the Kansas City affiliate had an outstanding balance of approximately \$157,895 and \$162,109, 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 has been guaranteed by the Organization. At June 30, 2018 and 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 \$1,110,000 and \$1,122,000 for the years ended June 30, 2018 and 2017, respectively.

7. Property And Equipment

Property and equipment consist of:

	<u>2018</u>	<u>2017</u>
Building and improvements	\$ 1,351,634	\$ 1,348,174
Computer equipment	321,478	335,822
Computer equipment under capital leases (Note 8)	—	149,280
Furniture and equipment	104,554	104,554
	<u>1,777,666</u>	<u>1,937,830</u>
Less: Accumulated depreciation and amortization	1,109,241	1,227,498
	<u>\$ 668,425</u>	<u>\$ 710,332</u>

Depreciation and amortization charged to expense amounted to \$49,800 in 2018 and \$82,333 in 2017.

8. 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 is included in depreciation and amortization expense.

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Notes To Financial Statements (Continued)

Following is a summary of equipment held under capital lease as of June 30, 2017:

Computer equipment	\$ 149,280
Less: Accumulated depreciation	<u>(149,280)</u>
	<u><u>\$ —</u></u>

There was no equipment held under capital leases as of June 30, 2018.

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.

9. Net Assets

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

	<u>2018</u>		<u>2017</u>	
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
National Campaign and affiliate support	\$ 176,506	\$ —	\$ 726,207	\$ —
Time restrictions	290,000	—	—	—
International	856,003	200,000	864,352	200,000
Jean T. McKenna				
National Scholarship	247,327	1,059,638	311,617	1,059,638
Other funded projects	718,692	—	668,013	—
Boys Hope Girls Hope Endowment Fund	281,680	7,583,406	244,734	7,083,406
	<u>\$ 2,570,208</u>	<u>\$ 8,843,044</u>	<u>\$ 2,814,923</u>	<u>\$ 8,343,044</u>

BOYS HOPE GIRLS HOPE

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 permanently restricted fund 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>2018</u>	<u>2017</u>
National Campaign and affiliate support	\$ 549,701	\$ 494,676
International	421,254	602,022
Jean T. McKenna National Scholarship	210,552	267,457
Other funded projects	645,990	596,487
	<u>\$ 1,827,497</u>	<u>\$ 1,960,642</u>

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Notes To Financial Statements (Continued)

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

	<u>2018</u>	<u>2017</u>
National Campaign and affiliate support	\$ 445,929	\$ 442,339
International	11,761	12,489
Jean T. McKenna National Scholarship	62,310	66,172
	<u>\$ 520,000</u>	<u>\$ 521,000</u>

10. 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 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;

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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, 2018 and 2017, the Organization had the following endowment funds:

	2018		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 331,345	\$ 8,843,044	\$ 9,174,389

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

Changes In Endowment Assets For The Fiscal Years Ended June 30, 2018 And 2017:

	Temporarily Restricted	Permanently Restricted	Total
Endowment assets at July 1, 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
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

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, 2018 or 2017.

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.

11. Concentrations

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

As of and for the year ended June 30, 2017, approximately 75% of pledges receivable and approximately 43% of contributions were from three donors.