
BOYS HOPE GIRLS HOPE
FINANCIAL STATEMENTS
JUNE 30, 2020



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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, 2020 and 2019, and the related statements of functional expenses, activities 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, 2020 and 2019, 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 20, 2020

BOYS HOPE GIRLS HOPE

STATEMENT OF FINANCIAL POSITION

Assets

	June 30,	
	2020	2019
Cash and cash equivalents	\$ 532,113	\$ 182,433
Pledges receivable (Notes 4 and 11)	763,623	1,185,337
Investments (Note 5)	84,578	345,622
Retirement plan assets (Note 6)	77,884	77,884
Other assets	79,577	—
Due from affiliates (Note 7)	24,762	60,654
Property and equipment (Note 8)	47,697	6,858
Property held for sale (Note 1)	659,812	659,812
Investments restricted for endowment (Notes 5 and 10)	8,843,044	8,843,044
Total Assets	\$ 11,113,090	\$ 11,361,644

Liabilities And Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 206,282	\$ 209,952
Due to affiliates (Note 7)	11,073	—
Retirement plan liabilities (Note 6)	141,510	150,802
Paycheck Protection Program loan (Note 12)	260,500	—
Total Liabilities	619,365	360,754

Net Assets

Without donor restrictions	255,165	317,026
With donor restrictions (Notes 9 and 10)	10,238,560	10,683,864
Total Net Assets	10,493,725	11,000,890
Total Liabilities And Net Assets	\$ 11,113,090	\$ 11,361,644

BOYS HOPE GIRLS HOPE

STATEMENT OF ACTIVITIES

	For The Year Ended June 30, 2020			For The Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support And Revenues						
Contributions (Notes 7 and 11)	\$ 1,430,815	\$ 512,286	\$ 1,943,101	\$ 1,036,065	\$ 1,600,604	\$ 2,636,669
Government grants	12,171	—	12,171	136,956	—	136,956
Support from local affiliates (Note 7)	328,540	—	328,540	319,778	—	319,778
Investment income (loss) (Note 5)	3,618	382,966	386,584	(14,362)	232,249	217,887
Other income	55,995	—	55,995	40,645	—	40,645
Investment return designated for current operations (Notes 9 and 10)	341,114	(341,114)	—	480,000	(480,000)	—
Net assets released from restrictions (Note 9)	999,442	(999,442)	—	2,082,241	(2,082,241)	—
Total Public Support And Revenues	3,171,695	(445,304)	2,726,391	4,081,323	(729,388)	3,351,935
Expenses						
Program services	2,018,027	—	2,018,027	2,872,995	—	2,872,995
Supporting activities:						
Management and general	1,009,174	—	1,009,174	951,523	—	951,523
Fundraising	206,355	—	206,355	216,588	—	216,588
Total Supporting Activities	1,215,529	—	1,215,529	1,168,111	—	1,168,111
Total Expenses	3,233,556	—	3,233,556	4,041,106	—	4,041,106
Increase (Decrease) In Net Assets	(61,861)	(445,304)	(507,165)	40,217	(729,388)	(689,171)
Net Assets - Beginning Of Year	317,026	10,683,864	11,000,890	276,809	11,413,252	11,690,061
Net Assets - End Of Year	\$ 255,165	\$ 10,238,560	\$ 10,493,725	\$ 317,026	\$ 10,683,864	\$ 11,000,890

BOYS HOPE GIRLS HOPE

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended June 30, 2020

	Program Services	Supporting Activities			Total
		Management And General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$ 825,624	\$ 749,588	\$ 187,938	\$ 937,526	\$ 1,763,150
Program support and administration	334,819	3,572	3,248	6,820	341,639
Scholarships	467,310	—	—	—	467,310
Depreciation and amortization	—	1,755	—	1,755	1,755
Information technology	125,829	2,441	4,495	6,936	132,765
Insurance	30,000	52,262	—	52,262	82,262
Interest and bank fees	725	13,902	—	13,902	14,627
International assistance	170,743	898	—	898	171,641
Postage and stationery	629	2,642	22	2,664	3,293
Professional fees	28,117	40,133	2,050	42,183	70,300
Promotion and marketing	661	21,978	430	22,408	23,069
Repairs and maintenance	—	17,840	—	17,840	17,840
Staff recruiting and education	1,290	23,392	—	23,392	24,682
Supplies	900	11,315	71	11,386	12,286
Travel	31,250	18,304	8,101	26,405	57,655
Telephone and internet	130	25,204	—	25,204	25,334
Utilities	—	23,948	—	23,948	23,948
	\$ 2,018,027	\$ 1,009,174	\$ 206,355	\$ 1,215,529	\$ 3,233,556

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	\$ 727,505	\$ 701,192	\$ 188,292	\$ 889,484	\$ 1,616,989
Program support and administration	488,755	7,788	1,499	9,287	498,042
Scholarships	465,812	—	—	—	465,812
Depreciation and amortization	—	1,755	—	1,755	1,755
Information technology	286,091	720	—	720	286,811
Insurance	—	51,196	—	51,196	51,196
Interest and bank fees	—	9,495	—	9,495	9,495
International assistance (Note 7)	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	2,671	2,488	—	2,488	5,159
Supplies	149	8,798	—	8,798	8,947
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
	\$ 2,872,995	\$ 951,523	\$ 216,588	\$ 1,168,111	\$ 4,041,106

BOYS HOPE GIRLS HOPE
STATEMENT OF CASH FLOWS

	For The Years	
	Ended June 30,	
	2020	2019
Cash Flows From Operating Activities		
Decrease in net assets	\$ (507,165)	\$ (689,171)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation and amortization	1,755	1,755
Realized gain on sale of investments	(31,648)	(740,349)
Unrealized (gain) loss on investments	(120,519)	757,472
Changes in assets and liabilities:		
Pledges receivable	421,714	(280,547)
Other assets	(79,577)	—
Due from affiliates	35,892	12,676
Accounts payable and accrued expenses	(3,670)	(78,507)
Due to affiliates	11,073	—
Retirement plan liabilities (net)	(9,292)	(12,218)
Net Cash Used In Operating Activities	(281,437)	(1,028,889)
Cash Flows From Investing Activities		
Purchases of investments	(676,567)	(8,543,935)
Proceeds from sale of investments	372,779	8,801,740
Purchases of property and equipment	(42,594)	—
Net Cash Provided By (Used In) Investing Activities	(346,382)	257,805
Cash Flows Provided By Financing Activities		
Proceeds from Paycheck Protection Program loan	260,500	—
Net Decrease In Cash And Cash Equivalents	(367,319)	(771,084)
Cash And Cash Equivalents - Beginning Of Year	1,387,895	2,158,979
Cash And Cash Equivalents - End Of Year	\$ 1,020,576	\$ 1,387,895
Cash And Cash Equivalents Consist Of:		
Cash and cash equivalents per statement of financial position	\$ 532,113	\$ 182,433
Cash and cash equivalents included in investments (Note 5)	488,463	1,205,462
Cash And Cash Equivalents - End Of Year	\$ 1,020,576	\$ 1,387,895

BOYS HOPE GIRLS HOPE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 And 2019

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, liquidity, and financial flexibility. As a result, the Organization is required to report information regarding its financial position and activities according to the following classes of net assets:

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

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

Estimates And Assumptions

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

New Accounting Standard Implementation

Effective July 1, 2018, the Organization adopted Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, which provides enhanced guidance to assist organizations in evaluating whether transactions should be accounted for as contributions or reciprocal transactions. The implementation did not have a material impact on the Organization's financial statements.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (*Continued*)

Cash And Cash Equivalents

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

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

Pledges Receivable

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

An allowance for uncollectible pledges receivable is provided based upon the Organization's estimate of amounts that will ultimately not be collected. The estimate is based on historical collection experience coupled with a review of the current status of existing pledges receivable. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. Management has determined that no allowance for uncollectible pledges receivable is necessary as of June 30, 2020 or 2019.

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.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements *(Continued)*

Property And Equipment

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

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

Property Held for Sale

Property held for sale 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, 2020 or 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

A portion of the Organization's support is derived from a cost-reimbursable grant from the Corporation for National and Community Service to fund the Organization's Links Mentoring program. This support is conditional upon certain performance requirements and/or the incurrence of allowable qualifying expense. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with the specific grant provisions. Amounts received prior to incurring qualifying expenditures would be reported as refundable advances in the statement of financial position. At June 30, 2020 and 2019, the Organization had no cost-reimbursable grants that had not yet been recognized nor any receivables outstanding for qualifying expenditures that have been incurred but not yet reimbursed.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (*Continued*)

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.

Management And General

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

Fundraising

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

Expense Allocation

Expenses that are directly identifiable as related to specific functions such as scholarships, depreciation and amortization, insurance, interest and bank fees, international assistance, repairs and maintenance, supplies, telephone and internet, 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.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (*Continued*)

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, 2017 and later remain subject to examination by taxing authorities.

Subsequent Events

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

2. Operations

The Organization partners with its affiliates in 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, 2020 and 2019, the Organization had the following financial assets available within one year of the statement of financial position date to meet general expenditures:

	<u>2020</u>	<u>2019</u>
Financial Assets		
Cash and cash equivalents	\$ 532,113	\$ 182,433
Pledges receivable	763,623	1,185,337
Investments	84,578	345,622
Due from affiliates	24,762	60,654
Total Financial Assets	<u>1,405,076</u>	<u>1,774,046</u>
Less Amounts Not Available To Be Used For General Expenditures Within One Year		
Pledges receivable due greater than one year	348,623	655,337
Purpose donor restrictions	311,448	316,831
Total Amounts Not Available To Be Used For General Expenditures Within One Year	<u>660,071</u>	<u>972,168</u>
	<u>\$ 745,005</u>	<u>\$ 801,878</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$850,000). 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, 2020 and 2019, pledges receivable are expected to be collected as follows:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 415,000	\$ 530,000
One to five years	370,000	705,000
	785,000	1,235,000
Less: Discount on long-term pledges receivable	21,377	49,663
	<u>\$ 763,623</u>	<u>\$ 1,185,337</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)

5. Investments

Investments are recorded at fair value and consist of:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 488,463	\$ 1,205,462
Exchange-traded funds	4,681,806	4,847,920
Equity mutual funds	3,666,212	3,133,185
Equity securities	91,141	2,099
	<u>8,927,622</u>	<u>9,188,666</u>
Less: Investments restricted for endowment (Note 10)	8,843,044	8,843,044
	<u>\$ 84,578</u>	<u>\$ 345,622</u>

Investment income consists of:

	<u>2020</u>	<u>2019</u>
Interest and dividend income (net)	\$ 234,417	\$ 235,010
Realized gains	31,648	740,349
Unrealized gains (losses)	120,519	(757,472)
	<u>\$ 386,584</u>	<u>\$ 217,887</u>

In 2019, interest and dividend income is net of investment fees of \$23,437. During 2020, no investment fees were incurred.

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

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

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

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

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

- Level 1* Quoted prices that are readily available in active markets/exchanges for identical investments.
- Level 2* Pricing inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3* Significant pricing inputs that are unobservable for the investment and includes investments for which there is little, if any, market activity for the investment.

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

	June 30, 2020		June 30, 2019	
	Level 1	Total	Level 1	Total
Cash and cash equivalents	\$ 488,463	\$ 488,463	\$ 1,205,462	\$ 1,205,462
Exchange-traded funds				
Emerging markets	357,680	357,680	325,124	325,124
Intermediate government	1,132,815	1,132,815	1,382,143	1,382,143
Intermediate-term bond	1,199,007	1,199,007	1,387,610	1,387,610
Foreign small/mid-cap blend	478,819	478,819	399,675	399,675
Foreign large-cap blend	1,106,150	1,106,150	964,600	964,600
Real estate	407,335	407,335	388,768	388,768
Equity mutual funds				
Small-cap blend	595,093	595,093	486,735	486,735
Mid-cap blend	758,460	758,460	641,874	641,874
Large-cap value	1,073,313	1,073,313	1,004,298	1,004,298
Large-cap growth	1,239,346	1,239,346	1,000,278	1,000,278
Equity securities				
Emerging markets	91,141	91,141	2,099	2,099
	\$ 8,927,622	\$ 8,927,622	\$ 9,188,666	\$ 9,188,666

During 2020 and 2019, 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 \$39,125 and \$43,746 in 2020 and 2019, respectively.

As of June 30, 2017, the Organization also had a nonqualified 401(a) and 403(b) defined benefit pension plan (the Plan) covering former employees. Under the 401(a) and 403(b) plans, assets were funded and directed by the Organization. The provisions of the Plan allowed for the offset of the assets of the Plan against the retirement benefit payments, as defined. The retirement plan liabilities represent the actuarial present value of benefits related to a prior employee's service. During 2018, investments of the Plan were liquidated to fund a portion of this obligation. At June 30, 2020 and 2019, the pension plan assets include cash surrender value of life insurance of \$77,884. The remaining obligation will be funded by this cash surrender value of life insurance as well by the Organization's operating funds. An annuity may be purchased in the future to satisfy the remaining obligation.

7. Affiliations And Related Parties

As of June 30, 2020, 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

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

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

Guatemala City, Guatemala
Monterrey, Mexico

Affiliates are required to pay an assessment under a contractual agreement. During 2020 and 2019, such assessments totaled \$328,540 and \$319,778, respectively.

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

	<u>2020</u>	<u>2019</u>
Due from affiliates	\$ 24,762	\$ 247,469
Allowance for uncollectible amounts	—	(186,815)
	<u>\$ 24,762</u>	<u>\$ 60,654</u>

The Organization periodically receives funds intended for the affiliates. The Organization will deposit the funds and immediately issue a check or transfer funds to the intended affiliate for the donation. At June 30, 2020, the Organization has a payable of \$11,073 due to its affiliates. At June 30, 2019, the Organization did not owe any funds to its affiliates.

The Guatemala affiliate has grown and is now a larger affiliate with a strong Board of Directors. As a result, the Organization is no longer managing donations received on behalf of the Guatemalan affiliate. Effective July 1, 2019, the Organization changed their policy and communications with Guatemala's donors to be in alignment with all other affiliates in the affiliation agreement. The Organization will collect donations for Guatemala and wire the funds to them on a monthly basis. As such, any funds received on behalf of Guatemala will no longer affect the Organization's income or expenses. During 2019, \$305,646 of contributions were restricted by donors for this affiliate and included in contributions on the statement of activities. \$683,306 was transferred to this affiliate during 2019 and included in international assistance on the statement of functional expenses. With this change in donor communication, no income or expense was recognized in 2020.

At June 30, 2019, the Kansas City affiliate had an outstanding balance of \$145,207 on a \$200,000 line of credit that has been guaranteed by the Organization. At June 30, 2020, there was no outstanding balance on the line of credit.

The San Francisco affiliate entered into a line of credit agreement in December 2019. At June 30, 2020, the San Francisco affiliate had an outstanding balance of \$80,250 on a \$100,000 line of credit that has been guaranteed by the Organization.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

Members of the Board of Directors of the Organization (including their related companies and organizations) contributed approximately \$746,000 and \$1,567,000 for the years ended June 30, 2020 and 2019, respectively.

8. Property And Equipment

Property and equipment consist of:

	<u>2020</u>	<u>2019</u>
Computer equipment	\$ 364,072	\$ 321,478
Furniture and equipment	104,554	104,554
	<u>468,626</u>	<u>426,032</u>
Less: Accumulated depreciation and amortization	420,929	419,174
	<u>\$ 47,697</u>	<u>\$ 6,858</u>

Depreciation charged to expense amounted to \$1,755 in 2020 and 2019.

9. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of:

	<u>2020</u>			<u>2019</u>		
	<u>Time And Purpose Restrictions</u>	<u>Perpetual In Nature</u>	<u>Total</u>	<u>Time And Purpose Restrictions</u>	<u>Perpetual In Nature</u>	<u>Total</u>
Time restrictions	\$ 193,623	\$ —	\$ 193,623	\$ 275,337	\$ —	\$ 275,337
International Jean T. McKenna	61,473	200,000	261,473	288,638	200,000	488,638
National Scholarship	101,866	1,059,638	1,161,504	177,350	1,059,638	1,236,988
Other funded projects	933,445	—	933,445	1,030,277	—	1,030,277
Boys Hope Girls Hope Endowment Fund	105,109	7,583,406	7,688,515	69,218	7,583,406	7,652,624
	<u>\$ 1,395,516</u>	<u>\$ 8,843,044</u>	<u>\$ 10,238,560</u>	<u>\$ 1,840,820</u>	<u>\$ 8,843,044</u>	<u>\$ 10,683,864</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 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>2020</u>	<u>2019</u>
National Campaign and affiliate support	\$ —	\$ 176,506
International	228,112	867,408
Jean T. McKenna National Scholarship	210,500	180,840
Other funded projects	450,830	782,487
Satisfaction of time restrictions	110,000	75,000
	<u>\$ 999,442</u>	<u>\$ 2,082,241</u>

BOYS HOPE GIRLS HOPE

Notes To Financial Statements *(Continued)*

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

	<u>2020</u>	<u>2019</u>
National Campaign and affiliate support	\$ 292,524	\$ 411,627
International	7,715	10,856
Jean T. McKenna National Scholarship	40,875	57,517
	<u>\$ 341,114</u>	<u>\$ 480,000</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 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.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

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, 2020 and 2019, the Organization had the following endowment funds:

	2020		
	Unappropriated Endowment Earnings	Investments In Perpetuity	Total
<u>Donor-restricted endowment funds</u>	<u>\$ 125,446</u>	<u>\$ 8,843,044</u>	<u>\$ 8,968,490</u>

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

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

Changes In Endowment Assets For The Years Ended June 30, 2020 And 2019:

	Unappropriated Endowment Earnings	Investments In Perpetuity	Total
Endowment assets at July 1, 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
Investment income	382,966	—	382,966
Appropriation of endowment assets for expenditure	(341,114)	—	(341,114)
Endowment assets at June 30, 2020	\$ 125,446	\$ 8,843,044	\$ 8,968,490

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, 2020 or 2019.

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 Organization's spending rate over the life of the Organization.

Strategies Employed For Achieving Objectives

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

Spending Policy And How The Investment Objectives Relate To Spending Policy

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

11. Concentrations

As of and for the year ended June 30, 2020, approximately 64% of pledges receivable and approximately 10% of contributions were from one donor.

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.

12. Paycheck Protection Program Loan

In April 2020, the Organization entered into a Paycheck Protection Program loan in the amount of \$260,500 with a local bank. This loan was issued pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act's Paycheck Protection Program and is unsecured. Amounts outstanding under this loan will bear interest at a rate of 1%. During the period beginning April 2020 and ending on the six-month anniversary of the date of the loan (the deferral period), interest on the outstanding principal balance will accrue, but neither principal nor interest shall be due or payable. At the end of the deferral period, the outstanding principal that is not forgiven under the Paycheck Protection Program will convert to a term loan (the conversion balance). The Organization can apply to the bank for forgiveness of the amount due on the loan in an amount based on the sum of the following costs incurred by the Organization during the eight-week or twenty four-week period beginning on the date of the first disbursement of the loan: payroll costs, payments of interest on a covered mortgage obligation, covered rent obligations, and covered utilities.

The first payment on the term loan is due seven months following the date of the loan. On the first payment date and each month thereafter until the second anniversary of the date of the loan, monthly principal and interest payments of \$14,663 are due. A final payment of unpaid principal plus accrued interest is due at maturity.

The Organization has recorded the loan as debt in the statement of financial position, until the loan, or a portion of the loan, is forgiven. The portion of the loan that is forgiven by the bank will be recognized as income in the period in which it is forgiven.

The scheduled maturities of the Paycheck Protection Program loan at June 30, 2020 are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 114,591
2022	145,909
	<u>\$ 260,500</u>

13. Risks And Uncertainties

In January 2020, a novel strain of coronavirus (COVID-19) spread through China as well as other countries worldwide including the United States. In March 2020, the World Health Organization characterized COVID-19 as a pandemic, and the President declared the COVID-19 outbreak in the United States as a national emergency. In compliance with government mandates, since March 2020, the Organization has had to modify its operations and programming, which could affect the Organization's support and revenue. The continued outbreak of the COVID-19 virus is also likely to have a further negative impact in 2021 on the economy, which in the future, might impact the Organization's ability to fundraise. All of these factors could have a significant impact on the Organization's financial results in 2021 and beyond. Given the dynamic nature of this outbreak, the extent to which the COVID-19 virus will impact the Organization's results will depend on future developments, which remain highly uncertain and cannot be predicted at this time.