
BOYS HOPE GIRLS HOPE
FINANCIAL STATEMENTS
JUNE 30, 2021



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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, 2021 and 2020, 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, 2021 and 2020, 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 19, 2021

BOYS HOPE GIRLS HOPE

STATEMENT OF FINANCIAL POSITION

Assets

	June 30,	
	2021	2020
Cash and cash equivalents	\$ 625,324	\$ 532,113
Pledges receivable (Notes 4 and 11)	313,973	763,623
Investments (Note 5)	2,595,359	84,578
Retirement plan assets (Note 6)	82,272	77,884
Prepaid insurance	61,003	—
Other assets	80,374	79,577
Due from affiliates (Note 7)	5,463	24,762
Property and equipment (Note 8)	376,503	47,697
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	\$ 13,643,127	\$ 11,113,090

Liabilities And Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 284,810	\$ 206,282
Due to affiliates (Note 7)	26,144	11,073
Retirement plan liabilities (Note 6)	133,647	141,510
Paycheck Protection Program loan (Note 12)	260,541	260,500
Total Liabilities	705,142	619,365

Net Assets

Without donor restrictions	1,440,911	255,165
With donor restrictions (Notes 9 and 10)	11,497,074	10,238,560
Total Net Assets	12,937,985	10,493,725
Total Liabilities And Net Assets	\$ 13,643,127	\$ 11,113,090

BOYS HOPE GIRLS HOPE

STATEMENT OF ACTIVITIES

	For The Year Ended June 30, 2021			For The Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support And Revenues						
Contributions (Notes 7 and 11)	\$ 1,714,939	\$ 560,349	\$ 2,275,288	\$ 1,430,815	\$ 512,286	\$ 1,943,101
Special events (net of expenses of \$15,739 in 2021)	14,924	—	14,924	—	—	—
Government grants	—	—	—	12,171	—	12,171
Support from local affiliates (Note 7)	420,654	—	420,654	328,540	—	328,540
Other income	6,740	—	6,740	55,995	—	55,995
Investment return designated for current operations (Notes 9 and 10)	317,810	(317,810)	—	341,114	(341,114)	—
Net assets released from restrictions (Note 9)	946,951	(946,951)	—	999,442	(999,442)	—
Total Public Support And Revenues	3,422,018	(704,412)	2,717,606	3,168,077	(828,270)	2,339,807
Expenses						
Program services	1,990,246	—	1,990,246	2,018,027	—	2,018,027
Supporting activities:						
Management and general	826,636	—	826,636	1,009,174	—	1,009,174
Fundraising	255,991	—	255,991	206,355	—	206,355
Total Supporting Activities	1,082,627	—	1,082,627	1,215,529	—	1,215,529
Total Expenses	3,072,873	—	3,072,873	3,233,556	—	3,233,556
Increase (Decrease) In Net Assets From Operations	349,145	(704,412)	(355,267)	(65,479)	(828,270)	(893,749)
Other Income And Gains						
Investment income (Note 5)	576,101	1,962,926	2,539,027	3,618	382,966	386,584
Gain on extinguishment of Paycheck Protection Program Loan (Note 12)	260,500	—	260,500	—	—	—
Total Other Income And Gains	836,601	1,962,926	2,799,527	3,618	382,966	386,584
Increase (Decrease) In Net Assets	1,185,746	1,258,514	2,444,260	(61,861)	(445,304)	(507,165)
Net Assets - Beginning Of Year	255,165	10,238,560	10,493,725	317,026	10,683,864	11,000,890
Net Assets - End Of Year	\$ 1,440,911	\$ 11,497,074	\$ 12,937,985	\$ 255,165	\$ 10,238,560	\$ 10,493,725

BOYS HOPE GIRLS HOPE

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended June 30, 2021

	Program Services	Supporting Activities			Total
		Management And General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$ 1,188,640	\$ 380,272	\$ 241,628	\$ 621,900	\$ 1,810,540
Program support and administration	118,335	83,828	319	84,147	202,482
Scholarships	451,713	—	—	—	451,713
Depreciation and amortization	—	41,967	—	41,967	41,967
Information technology	78,508	7,212	4,595	11,807	90,315
Insurance	32,813	48,477	—	48,477	81,290
Interest and bank fees	—	10,658	—	10,658	10,658
International assistance	91,144	4,650	—	4,650	95,794
Postage and stationery	1,263	9,053	—	9,053	10,316
Professional fees	23,015	119,673	4,425	124,098	147,113
Promotion and marketing	3,161	36,391	4,017	40,408	43,569
Repairs and maintenance	—	19,611	—	19,611	19,611
Staff recruiting and education	342	19,047	—	19,047	19,389
Supplies	366	10,353	—	10,353	10,719
Travel	880	2,450	1,007	3,457	4,337
Telephone and internet	66	19,619	—	19,619	19,685
Utilities	—	13,375	—	13,375	13,375
	\$ 1,990,246	\$ 826,636	\$ 255,991	\$ 1,082,627	\$ 3,072,873

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 CASH FLOWS

	For The Years	
	Ended June 30,	
	2021	2020
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 2,444,260	\$ (507,165)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation and amortization	41,967	1,755
Realized gain on sale of investments	(1,854,834)	(31,648)
Unrealized gain on investments	(473,574)	(120,519)
Donated property and equipment	(370,773)	—
Gain on extinguishment of Paycheck Protection Program loan	(260,500)	—
Changes in assets and liabilities:		
Pledges receivable	449,650	421,714
Other assets	(797)	(79,577)
Prepaid insurance	(61,003)	—
Due from affiliates	19,299	35,892
Accounts payable and accrued expenses	78,528	(3,670)
Due to affiliates	15,071	11,073
Retirement plan liabilities (net)	(12,251)	(9,292)
Net Cash Provided By (Used In) Operating Activities	15,043	(281,437)
Cash Flows From Investing Activities		
Purchases of investments	(9,866,159)	(676,567)
Proceeds from sale of investments	10,227,685	372,779
Purchases of property and equipment	—	(42,594)
Net Cash Provided By (Used In) Investing Activities	361,526	(346,382)
Cash Flows Provided By Financing Activities		
Proceeds from Paycheck Protection Program loan	260,541	260,500
Net Increase (Decrease) In Cash And Cash Equivalents	637,110	(367,319)
Cash And Cash Equivalents - Beginning Of Year	1,020,576	1,387,895
Cash And Cash Equivalents - End Of Year	\$ 1,657,686	\$ 1,020,576
Cash And Cash Equivalents Consist Of:		
Cash and cash equivalents per statement of financial position	\$ 625,324	\$ 532,113
Cash and cash equivalents included in investments (Note 5)	1,032,362	488,463
Cash And Cash Equivalents - End Of Year	\$ 1,657,686	\$ 1,020,576

BOYS HOPE GIRLS HOPE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 And 2020

1. Summary Of Significant Accounting Policies

Basis Of Accounting

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

Basis Of Presentation

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

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

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

Estimates And Assumptions

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

Operating And Nonoperating Activity

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

New Accounting Pronouncement

Effective July 1, 2020, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which clarifies the principles for recognizing revenue and develops a common revenue standard. ASU 2014-09 requires new disclosures about contracts with customers, significant judgements in determining the satisfaction of performance obligations in contracts, and assets recognized from costs to obtain or fulfill contracts. The implementation did not have a material impact on the Organization's financial statements.

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, 2021 or 2020.

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

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, 2021 or 2020.

Paycheck Protection Program Loan

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

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

The Organization applied for and received forgiveness of all principal and interest for the PPP loan received in April 2020 and intends to apply for forgiveness of all principal and interest for the PPP loan received in January 2021, in an amount equal to the sum of qualified expenses under the PPP. Notwithstanding the Organization's expected eligibility for forgiveness, no assurance can be given that the Organization will obtain forgiveness of all or any portion of amounts due.

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.

Donated Property And Equipment, Materials And Services

Donated property and equipment and materials are recorded at fair value at the date of donation. The fair value of donated property and equipment and materials was \$452,366 and \$138,473 in 2021 and 2020, respectively.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (*Continued*)

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services that meet the criteria for recognition are recorded at fair value at the date of donation. No such donated services were received in 2021 or 2020.

Government Grants

A portion of the Organization's support was derived from a cost-reimbursable grant from the Corporation for National and Community Service to fund the Organization's Links Mentoring program. This support was conditional upon certain performance requirements and/or the incurrence of allowable qualifying expense. Amounts received were recognized as revenue when the Organization had incurred expenditures in compliance with the specific grant provisions. Amounts received prior to incurring qualifying expenditures would have been reported as refundable advances in the statement of financial position. At June 30, 2021 and 2020, 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.

Support From Local Affiliates

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

Opening and closing balances of receivables from affiliates for the year ended June 30, 2021 were \$24,762 and \$5,463, respectively. Opening and closing balances of receivables from affiliates for the year ended June 30, 2020 were \$60,654 and \$24,762, respectively. Management has determined that no allowance for uncollectible receivables from affiliates is necessary as of June 30, 2021 or 2020.

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

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, 2018 and later remain subject to examination by taxing authorities.

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.

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Notes To Financial Statements (Continued)

3. Available Resources And Liquidity

As of June 30, 2021 and 2020, the Organization had the following financial assets available within one year of the statement of financial position date to meet general expenditures:

	<u>2021</u>	<u>2020</u>
Financial Assets		
Cash and cash equivalents	\$ 625,324	\$ 532,113
Pledges receivable	313,973	763,623
Investments	2,595,359	84,578
Due from affiliates	5,463	24,762
Total Financial Assets	<u>3,540,119</u>	<u>1,405,076</u>
Less Amounts Not Available To Be Used For General Expenditures Within One Year		
Pledges receivable due greater than one year	98,973	348,623
Pledges with donor restrictions	1,525,057	311,448
Total Amounts Not Available To Be Used For General Expenditures Within One Year	<u>1,624,030</u>	<u>660,071</u>
	<u>\$ 1,916,089</u>	<u>\$ 745,005</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, 2021 and 2020, pledges receivable are expected to be collected as follows:

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 215,000	\$ 415,000
One to five years	105,000	370,000
	<u>320,000</u>	<u>785,000</u>
Less: Discount on long-term pledges receivable	6,027	21,377
	<u>\$ 313,973</u>	<u>\$ 763,623</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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,032,362	\$ 488,463
Exchange-traded funds	10,405,041	4,681,806
Equity mutual funds	—	3,666,212
Equity securities	1,000	91,141
	<u>11,438,403</u>	<u>8,927,622</u>
Less: Investments restricted for endowment (Note 10)	<u>8,843,044</u>	<u>8,843,044</u>
	<u>\$ 2,595,359</u>	<u>\$ 84,578</u>

Investment income consists of:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 210,619	\$ 234,417
Realized gains	1,854,834	31,648
Unrealized gains	473,574	120,519
	<u>\$ 2,539,027</u>	<u>\$ 386,584</u>

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, 2021		June 30, 2020	
	Level 1	Total	Level 1	Total
Cash and cash equivalents	\$ 1,032,362	\$ 1,032,362	\$ 488,463	\$ 488,463
Exchange-traded funds				
Emerging markets	—	—	357,680	357,680
Intermediate government	342,529	342,529	1,132,815	1,132,815
Intermediate-term bond	—	—	1,199,007	1,199,007
Inflation-protected bond	778,375	778,375	—	—
Corporate bond	801,915	801,915	—	—
Foreign small/mid-cap blend	—	—	478,819	478,819
Foreign large-cap blend	651,043	651,043	1,106,150	1,106,150
Foreign large-cap value	984,589	984,589	—	—
Real estate	235,956	235,956	407,335	407,335
U.S. large-cap value	4,002,913	4,002,913	—	—
U.S. small cap blend	2,607,721	2,607,721	—	—
Equity mutual funds				
Small-cap blend	—	—	595,093	595,093
Mid-cap blend	—	—	758,460	758,460
Large-cap value	—	—	1,073,313	1,073,313
Large-cap growth	—	—	1,239,346	1,239,346
Equity securities				
Emerging markets	1,000	1,000	91,141	91,141
	\$ 11,438,403	\$ 11,438,403	\$ 8,927,622	\$ 8,927,622

During 2021 and 2020, 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 \$40,974 and \$39,125 in 2021 and 2020, 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, 2021 and 2020, the pension plan assets include cash surrender value of life insurance of \$82,272 and \$77,884, respectively. The remaining obligation will be funded by this cash surrender value of life insurance as well by the Organization's operating funds. An annuity may be purchased in the future to satisfy the remaining obligation.

7. Affiliations And Related Parties

As of June 30, 2021, 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

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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 2021 and 2020, such assessments totaled \$420,654 and \$328,540, respectively.

Due from affiliates, which relate primarily to these assessments, were \$5,463 and \$24,762 at June 30, 2021 and 2020, respectively.

The Organization periodically receives funds intended for the affiliates. The Organization will deposit the funds and immediately issue a check or transfer funds to the intended affiliate for the donation. At June 30, 2021 and 2020, the Organization has a payable of \$26,144 and \$11,073, respectively, due to its affiliates.

Through April 30, 2021, the Kansas City affiliate had an outstanding line of credit that had been guaranteed by the Organization. At June 30, 2020, there was no outstanding balance on this line of credit.

The San Francisco affiliate entered into a line of credit agreement in December 2019. At June 30, 2021 and 2020, the San Francisco affiliate had an outstanding balance of \$90,000 and \$80,250, respectively, on a \$100,000 line of credit that has been guaranteed by the Organization.

Members of the Board of Directors of the Organization (including their related companies and organizations) contributed approximately \$642,000 and \$746,000 for the years ended June 30, 2021 and 2020, respectively.

8. Property And Equipment

Property and equipment consist of:

	<u>2021</u>	<u>2020</u>
Computer equipment	\$ 734,845	\$ 364,072
Furniture and equipment	104,554	104,554
	<u>839,399</u>	<u>468,626</u>
Less: Accumulated depreciation and amortization	462,896	420,929
	<u>\$ 376,503</u>	<u>\$ 47,697</u>

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Notes To Financial Statements (Continued)

9. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of:

	2021			2020		
	Time And Purpose Restrictions	Perpetual In Nature	Total	Time And Purpose Restrictions	Perpetual In Nature	Total
Time restrictions	\$ 273,973	\$ —	\$ 273,973	\$ 193,623	\$ —	\$ 193,623
International	40,435	200,000	240,435	61,473	200,000	261,473
Jean T. McKenna						
National						
Scholarship	304,280	1,059,638	1,363,918	101,866	1,059,638	1,161,504
Other funded						
projects	519,456	—	519,456	933,445	—	933,445
Boys Hope						
Girls Hope						
Endowment Fund	1,515,886	7,583,406	9,099,292	105,109	7,583,406	7,688,515
	\$ 2,654,030	\$ 8,843,044	\$ 11,497,074	\$ 1,395,516	\$ 8,843,044	\$ 10,238,560

The net asset components are described as follows:

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

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

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

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

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.

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Notes To Financial Statements (Continued)

Net assets were released from donor restrictions as follows:

	<u>2021</u>	<u>2020</u>
International	\$ 78,245	\$ 228,112
Jean T. McKenna National Scholarship	129,716	210,500
Other funded projects	503,990	450,830
Satisfaction of time restrictions	235,000	110,000
	<u>\$ 946,951</u>	<u>\$ 999,442</u>

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

	<u>2021</u>	<u>2020</u>
National Campaign and affiliate support	\$ 272,540	\$ 292,524
International	7,188	7,715
Jean T. McKenna National Scholarship	38,082	40,875
	<u>\$ 317,810</u>	<u>\$ 341,114</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.

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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 endowment with donor restrictions (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that is not classified in investments in perpetuity is classified as unappropriated endowment earnings until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment Net Asset Composition

As of June 30, 2021 and 2020, the Organization had the following endowment funds:

	2021		
	Unappropriated Endowment Earnings	Investments In Perpetuity	Total
Donor-restricted endowment funds	\$ 1,770,562	\$ 8,843,044	\$ 10,613,606

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

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Notes To Financial Statements (Continued)

Changes In Endowment Assets For The Years Ended June 30, 2021 And 2020:

	Unappropriated Endowment Earnings	Investments In Perpetuity	Total
Endowment assets at July 1, 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
Investment income	1,962,926	—	1,962,926
Appropriation of endowment assets for expenditure	(317,810)	—	(317,810)
Endowment assets at June 30, 2021	\$ 1,770,562	\$ 8,843,044	\$ 10,613,606

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, 2021 or 2020.

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

Return Objectives And Risk Parameters

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

Strategies Employed For Achieving Objectives

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

Spending Policy And How The Investment Objectives Relate To Spending Policy

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

11. Concentrations

For the years ended June 30, 2021 and 2020, approximately 14% and 10%, respectively, of contributions were from one donor.

As of June 30, 2021 and 2020, approximately 63% and 64%, respectively, of pledges receivable were from one donor.

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 was unsecured. Amounts outstanding under this loan bore interest at a rate of 1%. During the period beginning April 2020 and ending ten months after the loan's covered period (the deferral period), interest on the outstanding principal balance accrued, but neither principal nor interest were due or payable. At the end of the deferral period, the outstanding principal that was not forgiven under the Paycheck Protection Program would convert to a term loan (the conversion balance) with monthly payments of principal and interest due until the loan's maturity in April 2022. The Organization applied to the Small Business Administration (SBA) 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. In March 2021, the Organization received notification from the bank that the SBA had forgiven the outstanding balance of the loan. Therefore, the Organization has recognized \$260,500 as a gain on extinguishment of debt for the year ending June 30, 2021.

In January 2021, the Organization entered into a second Paycheck Protection Program loan and received proceeds in the amount of \$260,541. Amounts outstanding under this loan will bear interest at a rate of 1%. During the period beginning January 2021 and ending on either (a) the date any forgiven amount of the loan is remitted by the SBA to the bank, or (b) the date on which the SBA notifies the bank that a final determination has been made that no portion of the loan will be forgiven (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 first payment on the term loan is due on the 15th day of the month following the month in which the deferral period expires, at which point any accrued interest not forgiven under the Paycheck Protection Program is due and payable. Additionally, on the first payment date and each month thereafter until the 5th anniversary of the date of the loan, equal monthly installments of principal shall be due and payable in an amount sufficient to fully amortize the conversion balance over the remaining term. Interest shall be payable at the same times as the monthly principal payments.

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 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.

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 2022 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 2022 and beyond.

While the COVID-19 pandemic has impacted all not-for-profit organizations, the Organization remains committed to its mission and continues to move forward in supporting its scholars in all facets of its program. The Organization has been serving scholars for forty years and has grown a deep and committed donor base during this time; their support is anticipated to continue to sustain the Organization. The Organization plans to remain flexible and nimble throughout the pandemic and has already pivoted its fundraising efforts so that the Organization's revenue streams remain robust.

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.

14. Subsequent Events

Subsequent to year end, the property held for sale was sold for \$825,000.

Subsequent to year end, the Organization entered into a lease agreement for office space, commencing on December 1, 2021 and ending on December 31, 2028, with escalating monthly rent payments starting at approximately \$3,959.

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