
BOYS HOPE GIRLS HOPE

FINANCIAL STATEMENTS

JUNE 30, 2022



Contents

	Page
Independent Auditors' Report	1 - 2
 Financial Statements	
Statement Of Financial Position.....	3
Statement Of Activities	4
Statements Of Functional Expenses.....	5 - 6
Statement Of Cash Flows.....	7
Notes To Financial Statements.....	8 - 25

Independent Auditors' Report

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

Opinion

We have audited the financial statements of Boys Hope Girls Hope, which comprise the statement of financial position as of June 30, 2022, and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Boys Hope Girls Hope as of June 30, 2022 and 2021, 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.

Basis For Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities For The Audit Of The Financial Statements section of our report. We are required to be independent of Boys Hope Girls Hope and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities Of Management For The Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Boys Hope Girls Hope's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities For The Audit Of The Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Boys Hope Girls Hope's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Boys Hope Girls Hope's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

RubinBrown LLP

December 7, 2022

BOYS HOPE GIRLS HOPE
STATEMENT OF FINANCIAL POSITION

Assets

	June 30,	
	2022	2021
Cash and cash equivalents	\$ 632,640	\$ 625,324
Pledges receivable (Notes 4 and 11)	591,089	313,973
Investments (Note 5)	979,774	2,595,359
Retirement plan assets (Note 6)	84,430	82,272
Prepaid insurance	275,239	61,003
Other assets	88,523	80,374
Due from affiliates (Note 7)	18,035	5,463
Property and equipment (Note 8)	296,376	376,503
Property held for sale (Note 1)	—	659,812
Investments restricted/designated for endowment (Notes 5 and 10)	9,048,332	8,843,044
Total Assets	\$ 12,014,438	\$ 13,643,127

Liabilities And Net Assets

Liabilities

Accounts payable and accrued expenses (Note 12)	\$ 312,145	\$ 284,810
Due to affiliates (Note 7)	10,506	26,144
Retirement plan liabilities (Note 6)	125,070	133,647
Paycheck Protection Program loan (Note 13)	—	260,541
Total Liabilities	447,721	705,142

Net Assets

Unrestricted:		
Invested in property and equipment	296,376	1,036,315
Board-designated endowment (Note 10)	205,288	—
Available for operations	961,059	404,596
Without donor restrictions	1,462,723	1,440,911
With donor restrictions (Note 9)	10,103,994	11,497,074
Total Net Assets	11,566,717	12,937,985
Total Liabilities And Net Assets	\$ 12,014,438	\$ 13,643,127

BOYS HOPE GIRLS HOPE

STATEMENT OF ACTIVITIES

	For The Year Ended June 30, 2022			For The Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support And Revenues						
Contributions (Notes 7 and 11)	\$ 1,476,585	\$ 1,059,595	\$ 2,536,180	\$ 1,262,573	\$ 560,349	\$ 1,822,922
Contributed nonfinancial assets (Note 14)	255	—	255	452,366	—	452,366
Special events (net of expenses of \$18,048 and \$15,739 in 2022 and 2021, respectively)	71,350	—	71,350	14,924	—	14,924
Support from local affiliates (Note 7)	460,257	—	460,257	420,654	—	420,654
Other income	3,787	—	3,787	6,740	—	6,740
Gain on sale of property held for sale (Note 1)	119,254	—	119,254	—	—	—
Loss on disposal of property and equipment	(28,064)	—	(28,064)	—	—	—
Investment return designated for current operations (Notes 9 and 10)	375,653	(375,653)	—	317,810	(317,810)	—
Net assets released from restrictions (Note 9)	884,790	(884,790)	—	946,951	(946,951)	—
Total Public Support And Revenues	3,363,867	(200,848)	3,163,019	3,422,018	(704,412)	2,717,606
Expenses						
Program services	2,330,575	—	2,330,575	1,990,246	—	1,990,246
Supporting activities:						
Management and general	852,332	—	852,332	826,636	—	826,636
Fundraising	259,915	—	259,915	255,991	—	255,991
Total Supporting Activities	1,112,247	—	1,112,247	1,082,627	—	1,082,627
Total Expenses	3,442,822	—	3,442,822	3,072,873	—	3,072,873
Increase (Decrease) In Net Assets From Operations	(78,955)	(200,848)	(279,803)	349,145	(704,412)	(355,267)
Other Income And Gains (Losses)						
Investment income (loss) (Note 5)	(159,774)	(1,192,232)	(1,352,006)	576,101	1,962,926	2,539,027
Gain on extinguishment of Paycheck Protection Program Loan (Note 13)	260,541	—	260,541	260,500	—	260,500
Total Other Income And Gains (Losses)	100,767	(1,192,232)	(1,091,465)	836,601	1,962,926	2,799,527
Increase (Decrease) In Net Assets	21,812	(1,393,080)	(1,371,268)	1,185,746	1,258,514	2,444,260
Net Assets - Beginning Of Year	1,440,911	11,497,074	12,937,985	255,165	10,238,560	10,493,725
Net Assets - End Of Year	\$ 1,462,723	\$ 10,103,994	\$ 11,566,717	\$ 1,440,911	\$ 11,497,074	\$ 12,937,985

BOYS HOPE GIRLS HOPE

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended June 30, 2022

	Program Services	Supporting Activities			Total
		Management And General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$ 1,271,539	\$ 375,602	\$ 241,840	\$ 617,442	\$ 1,888,981
Program support and administration	288,803	87,379	2,699	90,078	378,881
Scholarships	441,673	—	—	—	441,673
Bad debt expense	—	4,996	—	4,996	4,996
Depreciation and amortization	—	87,198	—	87,198	87,198
Information technology	59,412	8,342	7,745	16,087	75,499
Insurance	46,557	46,263	—	46,263	92,820
Interest and bank fees	55	12,462	—	12,462	12,517
International assistance	85,186	—	—	—	85,186
Postage and stationery	319	4,780	—	4,780	5,099
Professional fees	97,737	51,359	1,230	52,589	150,326
Promotion and marketing	8,281	19,312	3,885	23,197	31,478
Repairs and maintenance	—	29,593	—	29,593	29,593
Staff recruiting and education	—	23,337	—	23,337	23,337
Rent (Note 12)	—	42,940	—	42,940	42,940
Supplies	801	26,348	111	26,459	27,260
Travel	29,492	16,921	2,405	19,326	48,818
Telephone and internet	720	12,030	—	12,030	12,750
Utilities	—	3,470	—	3,470	3,470
	\$ 2,330,575	\$ 852,332	\$ 259,915	\$ 1,112,247	\$ 3,442,822

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 CASH FLOWS

	For The Years Ended June 30,	
	2022	2021
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (1,371,268)	\$ 2,444,260
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	87,198	41,967
Realized (gain) loss on sale of investments	71,303	(1,854,834)
Unrealized (gain) loss on investments	1,515,550	(473,574)
Donated property and equipment	—	(370,773)
Loss on disposal of property and equipment	28,064	—
Gain on sale of property held for sale	(119,254)	—
Gain on extinguishment of Paycheck Protection Program loan	(260,541)	(260,500)
Changes in assets and liabilities:		
Pledges receivable	(277,116)	449,650
Other assets	(8,149)	(797)
Prepaid insurance	(214,236)	(61,003)
Due from affiliates	(12,572)	19,299
Accounts payable and accrued expenses	27,335	78,528
Due to affiliates	(15,638)	15,071
Retirement plan liabilities (net)	(10,735)	(12,251)
Net Cash Provided By (Used In) Operating Activities	(560,059)	15,043
Cash Flows From Investing Activities		
Purchases of investments	(2,895,942)	(9,866,159)
Proceeds from sale of investments	2,499,762	10,227,685
Proceeds from sale of building	779,066	—
Purchases of property and equipment	(35,135)	—
Net Cash Provided By Investing Activities	347,751	361,526
Cash Flows Provided By Financing Activities		
Proceeds from Paycheck Protection Program loan	—	260,541
Net Increase (Decrease) In Cash And Cash Equivalents	(212,308)	637,110
Cash And Cash Equivalents - Beginning Of Year	1,657,686	1,020,576
Cash And Cash Equivalents - End Of Year	\$ 1,445,378	\$ 1,657,686
Cash And Cash Equivalents Consist Of:		
Cash and cash equivalents per statement of financial position	\$ 632,640	\$ 625,324
Cash and cash equivalents included in investments (Note 5)	812,738	1,032,362
Cash And Cash Equivalents - End Of Year	\$ 1,445,378	\$ 1,657,686

BOYS HOPE GIRLS HOPE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 And 2021

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 (loss) and the gain on extinguishment of debt.

New Accounting Pronouncement

Effective July 1, 2021, the Organization adopted Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07). ASU 2020-07 requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement of activities and provide additional disclosures about contributions of nonfinancial assets. Contributed nonfinancial assets, commonly referred to as gifts-in-kind, include assets (such as land, buildings and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services and unconditional promises of those assets. The adoption of ASU 2020-07 under the retrospective method did not materially impact 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, 2022 or 2021.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (*Continued*)

Investments And Investments Restricted/Designated 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 consisted of building and improvements that the Organization utilized in operations but was marketing for sale. This property was stated at cost, including improvements, less accumulated depreciation through August 1, 2018, which was the date the property was listed for sale. No asset impairment was considered necessary during the year ended June 30, 2022 or 2021.

On August 5, 2021, the property held for sale was sold for \$825,000 less related fees and commissions of \$45,934, resulting in a net gain on sale of property held for sale of \$119,254.

Paycheck Protection Program Loan

The Organization had loans that were 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 expected to use the proceeds from the loans 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 considered the PPP loans to be debt, subject to the provisions of FASB Accounting Standards Codification (ASC) 470, *Debt*. The Organization did 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 loans would 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 was, in part or wholly, forgiven and legal release is received, the Organization would reduce the liability by the amount forgiven and record a gain on extinguishment.

During 2021, the Organization applied for and received forgiveness of all principal and interest for the PPP loan received in April 2020. During 2022, the Organization applied for and received forgiveness of all principal and interest for the PPP loan received in January 2021.

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.

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 2022 or 2021.

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, 2022 were \$5,463 and \$18,035, respectively. Opening and closing balances of receivables from affiliates for the year ended June 30, 2021 were \$24,762 and \$5,463, respectively. Management has determined that no allowance for uncollectible receivables from affiliates is necessary as of June 30, 2022 or 2021.

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 Network Headquarters 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 Network Headquarters 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 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.

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, 2019 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 13 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 Network Headquarters, affiliate staff is able to focus on providing the highest possible quality of service to each scholar.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

The Network Headquarters 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 Network Headquarters' 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. Available Resources And Liquidity

As of June 30, 2022 and 2021, the Organization had the following financial assets available within one year of the statement of financial position date to meet general expenditures:

	<u>2022</u>	<u>2021</u>
Financial Assets		
Cash and cash equivalents	\$ 632,640	\$ 625,324
Pledges receivable	591,089	313,973
Investments	979,774	2,595,359
Due from affiliates	18,035	5,463
Total Financial Assets	2,221,538	3,540,119
Less Amounts Not Available To Be Used For General Expenditures Within One Year		
Pledges receivable due greater than one year	198,820	98,973
Amounts with donor restrictions	291,412	1,525,057
Total Amounts Not Available To Be Used For General Expenditures Within One Year	490,232	1,624,030
	\$ 1,731,306	\$ 1,916,089

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.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

4. Pledges Receivable

At June 30, 2022 and 2021, pledges receivable are expected to be collected as follows:

	<u>2022</u>	<u>2021</u>
Less than one year	\$ 392,269	\$ 215,000
One to five years	223,025	105,000
	<u>615,294</u>	<u>320,000</u>
Less: Discount on long-term pledges receivable	24,205	6,027
	<u>\$ 591,089</u>	<u>\$ 313,973</u>

Pledges receivable are recorded after discounting to the present value of future cash flows using discount rates ranging from 3% to 5.25%.

5. Investments

Investments are recorded at fair value and consist of:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 812,738	\$ 1,032,362
Exchange-traded funds	9,214,368	10,405,041
Equity securities	1,000	1,000
	<u>10,028,106</u>	<u>11,438,403</u>
Less: Investments restricted/designated for endowment (Note 10)	9,048,332	8,843,044
	<u>\$ 979,774</u>	<u>\$ 2,595,359</u>

Investment income (loss) consists of:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 234,847	\$ 210,619
Realized gains (losses)	(71,303)	1,854,834
Unrealized gains (losses)	(1,515,550)	473,574
	<u>\$ (1,352,006)</u>	<u>\$ 2,539,027</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.

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 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.

The following are the Organization's investments measured at fair value, all of which are classified as Level 1 investments:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 812,738	\$ 1,032,362
Exchange-traded funds		
Intermediate government	732,162	342,529
Intermediate-term bond	326,112	—
Inflation-protected bond	411,414	778,375
Corporate bond	427,387	801,915
Foreign large-cap blend	592,927	651,043
Foreign large-cap value	918,461	984,589
Real estate	192,510	235,956
U.S. large-cap value	3,358,115	4,002,913
U.S. small cap blend	2,255,280	2,607,721
Equity securities		
Emerging markets	1,000	1,000
	<u>\$ 10,028,106</u>	<u>\$ 11,438,403</u>

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (*Continued*)

During 2022 and 2021, 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 \$39,371 and \$40,974 in 2022 and 2021, 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, 2022 and 2021, the pension plan assets include cash surrender value of life insurance of \$84,430 and \$82,272, 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, 2022, 13 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
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 2022 and 2021, such assessments totaled \$460,257 and \$420,654, respectively.

Due from affiliates, which relate primarily to these assessments, were \$18,035 and \$5,463 at June 30, 2022 and 2021, 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, 2022 and 2021, the Organization has a payable of \$10,506 and \$26,144, respectively, due to its affiliates.

Members of the Board of Directors of the Organization (including their related companies and organizations) contributed approximately \$794,000 and \$642,000 for the years ended June 30, 2022 and 2021, respectively.

8. Property And Equipment

Property and equipment consist of:

	<u>2022</u>	<u>2021</u>
Computer equipment	\$ 374,683	\$ 734,845
Furniture and equipment	41,526	104,554
	<u>416,209</u>	<u>839,399</u>
Less: Accumulated depreciation and amortization	119,833	462,896
	<u>\$ 296,376</u>	<u>\$ 376,503</u>

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

9. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of:

	2022			2021		
	Time And Purpose Restrictions	Perpetual In Nature	Total	Time And Purpose Restrictions	Perpetual In Nature	Total
Time restrictions	\$ 225,000	\$ —	\$ 225,000	\$ 273,973	\$ —	\$ 273,973
International	4,975	200,000	204,975	40,435	200,000	240,435
Jean T. McKenna National Scholarship	26,366	1,059,638	1,086,004	214,241	1,059,638	1,273,879
Other funded projects	633,359	—	633,359	519,456	—	519,456
Scholarships	199,914	—	199,914	90,039	—	90,039
Boys Hope Girls Hope Endowment Fund	171,336	7,583,406	7,754,742	1,515,886	7,583,406	9,099,292
	\$ 1,260,950	\$ 8,843,044	\$ 10,103,994	\$ 2,654,030	\$ 8,843,044	\$ 11,497,074

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.

Scholarships - This component is comprised of donor gifts restricted for scholarships.

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.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

Net assets were released from donor restrictions as follows:

	<u>2022</u>	<u>2021</u>
International	\$ —	\$ 78,245
Scholarships	10,125	129,716
Other funded projects	419,665	503,990
Satisfaction of time restrictions	455,000	235,000
	<u>\$ 884,790</u>	<u>\$ 946,951</u>

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

	<u>2022</u>	<u>2021</u>
National Campaign and affiliate support	\$ 322,143	\$ 272,540
International	8,496	7,188
Jean T. McKenna National Scholarship	45,014	38,082
	<u>\$ 375,653</u>	<u>\$ 317,810</u>

10. Endowment Funds

The Organization's endowment consists of three individual donor-restricted endowment funds and one board-designated endowment fund 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, 2022 and 2021, the Organization had the following endowment funds:

	2022			
	Without Donor Restrictions	Unappropriated Endowment Earnings	Investments In Perpetuity	Total
Donor-restricted endowment funds	\$ —	\$ 202,677	\$ 8,843,044	\$ 9,045,721
Board-designated endowment fund	205,288	—	—	205,288
	<u>\$ 205,288</u>	<u>\$ 202,677</u>	<u>\$ 8,843,044</u>	<u>\$ 9,251,009</u>

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

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

Changes In Endowment Assets For The Years Ended June 30, 2022 And 2021:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Endowment Earnings	Investments In Perpetuity	
Endowment assets at July 1, 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
Investment income (loss)	(33,642)	(1,192,232)	—	(1,225,874)
Transfers to board-designated endowment	249,530	—	—	249,530
Appropriation of endowment assets for expenditure	(10,600)	(375,653)	—	(386,253)
Endowment assets at June 30, 2022	\$ 205,288	\$ 202,677	\$ 8,843,044	\$ 9,251,009

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, 2022 or 2021.

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, 2022 and 2021, approximately 11% and 14%, respectively, of contributions were from one donor.

As of June 30, 2022 and 2021, approximately 92% and 63%, respectively, of pledges receivable were from three donors and one donor, respectively.

12. Leases

On September 1, 2021, the Organization entered into a lease agreement with Fair Mercantile Center 2017, LLC. The lease is classified as an operating lease. The Commencement Date of the lease is October 1, 2021. Rent is payable in escalating annual installments over a 7-year period. For the years 2022 through 2028, the annual rent payable starts at \$47,511 and increases to \$89,934. The lease expires on November 30, 2028.

Lease rental payments are recognized on a straight-line basis over the term of the lease. Minimum lease payables are recorded in an amount equal to the difference between the straight-line rental amount and the rental amount currently payable by the Organization. The minimum lease payable at June 30, 2022 was \$18,984 and is included in accounts payable and accrued expenses on the statement of financial position.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

Lease expense amounted to \$42,940 in 2022 and is included in rent expense on the statement of functional expenses.

Future minimum lease payments are due as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 52,622
2024	62,997
2025	73,614
2026	83,353
2027	88,288
Thereafter	134,352
	<u>\$ 495,226</u>

13. Paycheck Protection Program Loans

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 recognized \$260,500 as a gain on extinguishment of debt for the year ending June 30, 2021.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

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 bore interest at a rate of 1%. During the period beginning January 2021 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 January 2026. 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 December 2021, the Organization received notification from the bank that the SBA had forgiven the outstanding balance of the loan. Therefore, the Organization has recognized \$260,541 as a gain on extinguishment of debt for the year ending June 30, 2022.

14. Contributed Nonfinancial Assets

Contributed nonfinancial assets (in-kind contributions) were received for:

	<u>2022</u>	<u>2021</u>
Network solution	\$ —	\$ 323,059
Computers	—	128,958
Technology equipment	255	349
	<u>\$ 255</u>	<u>\$ 452,366</u>

In-kind property contributions consist of various technology solutions and equipment to be used by the Organization and the Organization's affiliates. In-kind property and equipment contributions are valued at the fair value of the assets received based on the price for similar items.

All donated services and assets were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated assets.