BOYS HOPE GIRLS HOPE

FINANCIAL STATEMENTS

JUNE 30, 2010

Boys Hope Girls Hope

Inspire. Empower. Nurture. Succeed.

Contents

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Independent Auditors' Report

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

We have audited the accompanying statement of financial position of Boys Hope Girls Hope (the Organization), a not-for-profit organization, as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

RubinBrown LLP

October 28, 2010

BOYS HOPE GIRLS HOPE

STATEMENT OF FINANCIAL POSITION

Assets

	June 30, 2010	June 30, 2009
Cash and cash equivalents	$ 196,838	$ 233,291
Pledges receivable (Note 3)	142,613	666,179
Investments (Note 4)	4,241,402	3,793,889
Due from affiliates (Note 6)	469,682	495,346
Retirement plan assets (Note 5)	183,488	171,344
Property and equipment (Notes 7, 8 and 9)	785,447	861,250
Other assets	32,562	34,645
Investments restricted for endowment (Note 4)	8,343,044	8,343,044
Total Assets	$ 14,395,076	$ 14,598,988

Liabilities And Net Assets

	June 30, 2010	June 30, 2009
Liabilities		
Accounts payable and accrued expenses	$ 232,293	$ 251,539
Due to affiliates (Notes 3 and 6)	158,368	136,211
Retirement plan liabilities (Note 5)	130,212	118,068
Capital lease obligation (Note 8)	—	7,074
Notes payable (Note 8)	48,588	48,261
Bonds payable (Note 9)	135,000	165,000
Total Liabilities	704,461	726,153
Net Assets		
Unrestricted	578,656	201,705
Temporarily restricted (Note 11)	4,768,915	5,328,086
Permanently restricted (Note 11)	8,343,044	8,343,044
Total Net Assets	13,690,615	13,872,835
Total Liabilities And Net Assets	$ 14,395,076	$ 14,598,988

BOYS HOPE GIRLS HOPE

STATEMENT OF ACTIVITIES

	For The Year Ended June 30, 2010				For The Year Ended June 30, 2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support And Revenues								
Contributions	$ 651,058	$ 202,948	$ —	$ 854,006	$ 604,913	$ 478,592	$ —	$ 1,083,505
Government grants	247,853	—	—	247,853	202,131	—	—	202,131
Support from local affiliates (Note 6)	329,545	—	—	329,545	338,050	—	—	338,050
Investment return designated for current operations (Note 4)	—	625,000	—	625,000	760,329	50,000	—	810,329
Other income	6,525	—	—	6,525	15,604	—	—	15,604
Net assets released from restrictions (Note 11)	1,489,077	(1,489,077)	—	—	1,103,653	(1,103,653)	—	—
Total Public Support And Revenues	2,724,058	(661,129)	—	2,062,929	3,024,680	(575,061)	—	2,449,619
Expenses								
Program services	2,198,934	—	—	2,198,934	2,438,104	—	—	2,438,104
Supporting activities:								
Management and general	542,136	—	—	542,136	558,161	—	—	558,161
Fundraising	43,725	—	—	43,725	101,603	—	—	101,603
Total Supporting Activities	585,861	—	—	585,861	659,764	—	—	659,764
Total Expenses	2,784,795	—	—	2,784,795	3,097,868	—	—	3,097,868
Decrease In Net Assets From Operations	(60,737)	(661,129)	—	(721,866)	(73,188)	(575,061)	—	(648,249)
Loss From Uncollectible Pledge (Note 14)	—	(280,251)	—	(280,251)	—	—	—	—
Investment Return (Loss) Greater Than Amounts Designated For Current Operations (Note 4)	437,688	382,209	—	819,897	(4,983,975)	—	—	(4,983,975)
Increase (Decrease) In Net Assets	376,951	(559,171)	—	(182,220)	(5,057,163)	(575,061)	—	(5,632,224)
Net Assets - Beginning Of Year	201,705	5,328,086	8,343,044	13,872,835	5,258,868	5,903,147	8,343,044	19,505,059
Net Assets - End Of Year	$ 578,656	$ 4,768,915	$ 8,343,044	$ 13,690,615	$ 201,705	$ 5,328,086	$ 8,343,044	$ 13,872,835

BOYS HOPE GIRLS HOPE

STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2010

	Program Services	Supporting Activities			
	General Operations	Management And General	Fundraising	Total	Total
Grant expense (Note 3)	$ 95,970	$ —	$ —	$ —	$ 95,970
Salaries, payroll taxes and benefits	836,515	332,906	38,328	371,234	1,207,749
Depreciation	71,357	23,867	—	23,867	95,224
Utilities	8,993	28,548	—	28,548	37,541
Repairs and maintenance	1,012	24,771	505	25,276	26,288
Supplies	2,241	8,089	—	8,089	10,330
Information technology	49,970	11,297	774	12,071	62,041
Interest	3,544	13,078	—	13,078	16,622
Insurance, licenses, dues and property taxes	3,919	31,363	—	31,363	35,282
Postage and stationery	702	4,495	546	5,041	5,743
Travel	59,591	17,482	773	18,255	77,846
Professional fees	129,620	29,669	—	29,669	159,289
Promotion	8,448	6,803	2,204	9,007	17,455
Staff recruiting and education	15,182	4,618	—	4,618	19,800
Program support and administration	390,031	4,697	595	5,292	395,323
Volunteers' expenses	17,561	453	—	453	18,014
Scholarship	185,800	—	—	—	185,800
International assistance	318,478	—	—	—	318,478
	$ 2,198,934	$ 542,136	$ 43,725	$ 585,861	$ 2,784,795

BOYS HOPE GIRLS HOPE

STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2009

	Program Services	Supporting Activities			
	General Operations	Management And General	Fundraising	Total	Total
Salaries, payroll taxes and benefits	$ 886,562	$ 347,974	$ 80,747	$ 428,721	$ 1,315,283
Depreciation	86,297	19,662	3,277	22,939	109,236
Utilities	40,314	25,690	445	26,135	66,449
Repairs and maintenance	2,186	29,254	1,093	30,347	32,533
Supplies	603	13,204	—	13,204	13,807
Information technology	29,414	10,171	708	10,879	40,293
Interest	—	18,846	—	18,846	18,846
Insurance, licenses, dues and property taxes	27,682	6,076	—	6,076	33,758
Postage and stationery	2,935	7,812	532	8,344	11,279
Travel	64,242	1,322	693	2,015	66,257
Professional fees	131,949	61,011	—	61,011	192,960
Promotion	25,618	10,090	3,292	13,382	39,000
Staff recruiting and education	33,720	1,603	343	1,946	35,666
Program support and administration	368,296	5,446	473	5,919	374,215
Volunteers' expenses	19,881	—	—	—	19,881
Bad debt expense	—	—	10,000	10,000	10,000
Scholarship	188,402	—	—	—	188,402
International assistance	530,003	—	—	—	530,003
	$ 2,438,104	$ 558,161	$ 101,603	$ 659,764	$ 3,097,868

BOYS HOPE GIRLS HOPE

STATEMENT OF CASH FLOWS

	For The Years Ended June 30, 2010	2009
Cash Flows From Operating Activities		
Decrease in net assets	$ (182,220)	$ (5,632,224)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	95,224	109,236
Accretion of discount on note payable	4,635	4,432
Realized loss on sale of investments	282,059	2,722,042
Unrealized (gain) loss on investments	(1,574,561)	1,938,466
Changes in assets and liabilities:		
Decrease in pledges receivable	523,566	861,131
(Increase) decrease in due from affiliates	25,664	(113,741)
(Increase) decrease in other assets	109	(10,066)
Increase (decrease) in accounts payable and accrued expenses	(19,246)	20,701
Increase (decrease) in due to affiliates	22,157	(132,211)
Net Cash Used In Operating Activities	(822,613)	(232,234)
Cash Flows From Investing Activities		
Purchase of investments	(159,681)	(7,915,172)
Proceeds from sale of investments	1,004,670	8,160,404
Receipts on capital leases receivable	1,974	1,795
Purchases of property and equipment	(19,421)	(12,445)
Net Cash Provided By Investing Activities	827,542	234,582
Cash Flows From Financing Activities		
Principal payments on notes payable	(4,308)	(10,053)
Principal payments on capital lease obligation	(7,074)	(16,217)
Principal payments on bonds payable	(30,000)	(30,000)
Net Cash Used In Financing Activities	(41,382)	(56,270)
Net Decrease In Cash And Cash Equivalents	(36,453)	(53,922)
Cash And Cash Equivalents - Beginning Of Year	233,291	287,213
Cash And Cash Equivalents - End Of Year	$ 196,838	$ 233,291
Supplemental Cash Flow Information		
Interest paid	$ 7,786	$ 11,931

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 recommendations of the Financial Accounting Standards Board for not-for-profit organizations by presenting assets and liabilities within similar groups and classifying them in a way that provides relevant information about the interrelationships, liquidity, and financial flexibility. As a result, the Organization is required to report information regarding its financial position and activities according to the following three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Estimates And Assumptions

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

Cash And Cash Equivalents

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

The Organization invests its cash investments with financial institutions with strong credit ratings. At times, such investments may be in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits.

Pledges Receivable

Unconditional pledges receivable in future periods are recognized as revenues in the period the pledges are received. Conditional pledges, which depend upon specified future and uncertain events, are recognized as revenue when the conditions upon which they depend are substantially met. Pledges receivable are recorded after discounting to the present value of future cash flows. A discount rate of 6% has been utilized. 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 which will ultimately not be collected. The estimate is based on historical collection experience coupled with a review of the current status of existing promises to give. 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 pledges receivable. 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.

Investments And Assets Restricted For Endowment

Investments are reported at fair value based on quoted market prices. 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.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Property And Equipment

Property and equipment are carried at cost, if purchased, or at fair value, if donated, less accumulated depreciation computed using the straight-line method. The assets are depreciated over the following periods:

Building and improvements	26 - 35 years
Computer equipment	5 years
Furniture and equipment	5 years

Restricted And Unrestricted Public Support And Revenues

The Organization reports gifts of cash and other assets as unrestricted, temporarily restricted or permanently restricted, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization has a three-year grant, which expires September 14, 2011, from the Corporation for National and Community Service to fund the Organization's Links Mentoring program. Revenue under this grant is recorded in government grants on the statement of activities and is classified as unrestricted.

Description Of Program Services And Supporting Activities

The following program services and supporting activities are included in the accompanying financial statements:

Program

Program services include establishing and supporting affiliates across the United States as well as Central and South America. The National 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 National 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 activity related to identifying and accessing the resources necessary to maintain operations and achieve programmatic goals.

Expense Allocation

Expenses are charged to program services and supporting activities on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Tax Status

The Organization constitutes a qualified not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income taxes.

In July 2009, the Organization adopted recently issued accounting rules for uncertain tax positions. These rules require financial statement recognition of the impact of a tax position if the position is more likely than not of being sustained in audit, based on the technical merits of the position. The rules also provide guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, transition and disclosure requirements for uncertain tax positions. The adoption of the new tax rules had no impact on the financial statements. The federal tax returns for tax years ending June 30, 2006 and later remain subject to examination by taxing authorities.

Subsequent Events

Management has evaluated subsequent events through October 28, 2010, the date which the financial statements were available for issue.

Reclassifications

Certain 2009 balances have been reclassified, where appropriate, to conform with the financial statement presentation used in 2010.

2. Operations

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

As "clients" of the National Office, the Organization 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 National Office, affiliate staff is able to focus on providing the highest possible quality of service to each scholar.

The National 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, matched by $2,000 scholarships from the local affiliates.

National Office fundraising activities provide for the services described above while each affiliate generates operating support for the homes. Each affiliate is incorporated as a separate 501(c)(3) organization.

3. National Campaign And Pledges Receivable

During fiscal 2002, the Organization launched a National Campaign, considered temporarily restricted, in order to raise funds to support the continued growth and expansion of program services. During the years ended June 30, 2010 and 2009, no National Campaign contribution revenue was received or recorded. Prior to 2007, National Campaign contribution revenue was mainly in the form of multi-year pledges over five years. In accordance with accounting guidelines, the Organization has recorded discounts of $2,264 and $122,013 on these multi-year campaign pledges at June 30, 2010 and 2009, respectively. At June 30, 2010 and 2009, the Organization had National Campaign pledges receivable of $18,969 and $493,969, respectively.

As part of the National Campaign, the Organization has established a challenge grant in which the Organization will match the amounts raised by affiliates “dollar-for-dollar” based on actual cash receipts, up to specified limits. The challenge grant is limited to $50,000 per year with a maximum of $250,000 per affiliate.

The amount recorded for challenge grant expense in 2010 was $74,000. During 2009, the Organization reversed prior year accrued challenge grant expense due to lack of performance and recognized income in the amount of $128,044 in 2009. As of June 30, 2010 and 2009, $158,368 and $136,211, respectively, were included in due to affiliates on the statement of financial position (Note 6).

As an additional component of the National Campaign for fiscal year ending June 30, 2010, the “Make Hope Happen” grant requires affiliates to apply to the Organization to receive grants for special projects. Once the special project is complete and receipts have been submitted, the affiliate is reimbursed. The grant is limited to $25,000 per year per affiliate for a three year period. Total expenses for the “Make Hope Happen” grant in 2010 were $21,970. There was no balance in due to affiliates as a result of this grant on the statement of financial position.

Pledges receivable consist of the following:

	2010	2009
National Campaign	$ 18,969	$ 493,969
Operational fund	131,090	374,405
	150,059	868,374
Less: Discount on pledges receivable	2,264	122,013
Allowance for doubtful accounts	5,182	80,182
	$ 142,613	$ 666,179

Pledges receivable are collectible as follows:

	2010	2009
Less than one year	$ 110,059	$ 358,374
One to five years	40,000	510,000
	150,059	868,374
Less: Discount on pledges receivable	2,264	122,013
Allowance for doubtful accounts	5,182	80,182
	$ 142,613	$ 666,179

4. Investments

Investments are recorded at fair value and consist of:

	2010	2009
Mutual funds		
Equities	$ 7,065,951	$ 7,819,861
Fixed income	2,504,591	1,652,971
Other	933,224	755,359
Alternative Hedge Fund	2,055,398	1,876,194
Cash equivalents	25,282	32,548
	12,584,446	12,136,933
Less: Investments restricted for endowment	8,343,044	8,343,044
	$ 4,241,402	$ 3,793,889

The amounts reported as investment return designated for current operations are based on the spending rule outlined in the Organization's Investment Guidelines. The spending rule is a fixed percentage (currently 5%) of the average quarter end market value of the Investments and Investments Restricted for Endowment for the previous 12 quarters. If amounts designated for operations exceed the actual investment return, appropriated amount will be lowered in order to retain the historical value of the endowment.

Investment income (loss) consists of:

	2010	2009
Interest and dividend income (net)	$ 152,395	$ 486,862
Realized losses	(282,059)	(2,722,042)
Unrealized gains (losses)	1,574,561	(1,938,466)
	$ 1,444,897	$ (4,173,646)

In 2010 and 2009, interest and dividend income is net of investment fees of $74,352 and $83,648, respectively.

5. Retirement Plan

The Organization has established a 401(k) plan covering eligible employees. The plan provides for a discretionary employer contribution of up to 3% of eligible compensation and a discretionary match of 100% of the first 3.5% of eligible employee contributions. Total contributions by the Organization amounted to $14,018 in 2010 and $27,053 in 2009. In 2009, the Organization discontinued making matching contributions to the benefit plan. During the year ended June 30, 2010, the Organization reinstated the employer match portion of the contribution.

The Organization also has a nonqualified 401(a) and 403(b) defined benefit pension plan (the Plan) covering former employees. Under the 401(a) and 403(b) plans, assets are funded and directed by the Organization. The provisions of the Plan allow for the offset of the assets of the Plan against the retirement benefit payments, as defined.

At June 30, 2010 and 2009, the pension plan assets represent cash surrender values of life insurance policies plus the market values of the 401(a) and 403(b) plan assets, and the pension plan liabilities represent the actuarial present value of benefits related to prior employee service. At June 30, 2006, all participants were fully vested.

6. Affiliations And Related Parties

As of June 30, 2010, 15 local affiliate locations are incorporated in the following locations:

St. Louis, Missouri
Staten Island, New York
Chicago, Illinois
New Orleans, Louisiana
Cincinnati, Ohio
Detroit, Michigan
Cleveland, Ohio
Phoenix, Arizona
Southern California
Pittsburgh, Ohio
Denver, Colorado
Baton Rouge, Louisiana
San Francisco, California
Baltimore, Maryland
Kansas City, Missouri

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

Sao Paulo, Brazil
Guatemala City, Guatemala
Lima, Peru
Monterey, Mexico

Affiliates are required to pay an assessment under a contractual agreement. During fiscal years 2010 and 2009, such assessments totaled $329,545 and $338,050, respectively. At June 30, 2010 and 2009, the Organization was due $469,682 and $495,346, respectively, from the affiliates, the majority of which related to such assessments.

The Organization periodically receives funds on behalf of affiliates. The Organization will invest those funds and remit the principal amount received with any related income earned to the affiliate upon request. At June 30, 2010 and 2009, the Organization owed $158,368 and $136,211, respectively, to its affiliates.

At June 30, 2010, the Southern California affiliate has an outstanding balance of approximately $49,000 on a $75,000 line of credit that has been co-signed by the Organization.

At June 30, 2010, the Baton Rouge affiliate has an outstanding balance of approximately $73,000, on a $75,000 line of credit that has been co-signed by the Organization.

At June 30, 2010, the San Francisco affiliate has an outstanding balance of approximately $50,000, on a $75,000 line of credit that has been co-signed by the Organization.

At June 30, 2010, the St. Louis affiliate has an outstanding balance of approximately $50,000, on a $100,000 line of credit that has been co-signed by the Organization.

7. Property And Equipment

Property and equipment consist of:

	2010	2009
Building and improvements	$ 1,121,111	$ 1,102,267
Computer equipment	370,500	370,133
Furniture and equipment	193,018	193,018
	1,684,629	1,665,418
Less: Accumulated depreciation	899,182	804,168
	$ 785,447	$ 861,250

Depreciation charged to expense amounted to $95,224 in 2010 and $109,236 in 2009.

8. Notes Payable And Capital Lease Obligation

During 1990, the Organization constructed a house in Phoenix, Arizona to be used by Boys Hope Girls Hope of Arizona, Inc. (Phoenix) to house youth enrolled in the program. The Organization purchased the land for the house from Brophy, a Jesuit High School in Phoenix, with a corresponding note payable to Brophy.

The note payable consists of the following:

	2010	2009
Note payable, maturity value of $60,000, secured by real estate, due in 2014, with annual payments of $2,400 through 2014, discounted 10%	$ 48,588	$ 46,353

During 2007, the Organization obtained unsecured loans of $24,520 and $1,040 from a bank to acquire computer equipment and to finance a software maintenance agreement, respectively. The loans required fixed monthly payments of $752 and $32, respectively, including principal and interest at 6.5% for 36 months through January 2010 and March 2010, respectively. The loan to finance the software maintenance agreement was paid in full during the fiscal year ended June 30, 2009. The outstanding balance of the loan to acquire computer equipment was $1,908 at June 30, 2009. This loan was paid in full during the fiscal year ended June 20, 2010.

In addition, during 2007, the Organization financed $47,270 of computer software acquisition and installation costs under a capital lease agreement which required an initial payment of $2,876 and fixed monthly payments thereafter of $1,438 for 34 months through November 2009. Interest was imputed at 6.5%. The outstanding balance of this lease obligation was $7,074 at June 30, 2009. The computer software lease obligation was paid in full during the fiscal year ended June 30, 2010.

Interest expense on the notes payable and lease obligation during 2010 and 2009 totaled approximately $3,500 and $5,600, respectively.

9. Industrial Development Authority Bonds Payable

The bonds payable consist of the following:

	2010	2009
Callable Industrial Development Authority bonds, secured by deed of trust, principal payments of $15,000 payable semiannually through 2015, with interest payable monthly at a variable rate (2.73% at June 30, 2010 and 2009)	$ 135,000	$ 165,000

During 1995, the Organization sold, at 100%, $620,000 of callable, variable interest Industrial Development Authority bonds to purchase a new corporate facility in Bridgeton, Missouri. Principal payments are due in the amount of $15,000 on each July 1 and January 1 until paid in full. The bonds are redeemable by the holder with 60-days advance written notice on January 1, 2010. The bonds can also be prepaid in whole or in part with five-days written notice to the holder without premium or penalty.

Interest expense on the bonds during 2010 and 2009 approximated $4,300 and $6,300, respectively.

As of June 30, 2010, long-term debt to maturity for all financing obligations is as follows, assuming the holder of the bonds does not exercise its early redemption rights:

Year	Notes Payable	Bonds Payable	Total
2011	$ —	$ 30,000	$ 30,000
2012	—	30,000	30,000
2013	—	30,000	30,000
2014	48,588	30,000	78,588
2015	—	15,000	15,000
	$ 48,588	$ 135,000	$ 183,588

10. Line Of Credit

In December 2008, the Organization established a revolving line-of-credit agreement with UMB Bank. The line is unsecured with a maximum draw amount of $250,000. There is no outstanding balance at June 30, 2010. Interest is payable monthly at the prime rate not to be less than 3.5%. Under the terms of this agreement, any outstanding balance is payable on demand.

11. Net Assets

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

	2010		2009	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
National Campaign	$ 3,386,660	$ —	$ 4,504,861	$ —
International	235,408	200,000	—	200,000
Jean T. McKenna National Scholarship	153,142	1,059,638	75,218	1,059,638
Other funded projects	611,496	—	748,007	—
Boys Hope Girls Hope Endowment Fund	382,209	7,083,406	—	7,083,406
	$ 4,768,915	$ 8,343,044	$ 5,328,086	$ 8,343,044

Net assets were released from donor restrictions as follows:

	2010	2009
National Campaign	$ 718,201	$ 259,530
International	35,934	631,549
Jean T. McKenna National Scholarship	85,500	83,000
Other funded projects	176,511	129,574
Boys Hope Girls Hope Endowment Fund Appropriation	472,931	—
	$ 1,489,077	$ 1,103,653

The above net asset components are described as follows:

National Campaign - This component was established in 2002 to record contributions generated by the National Campaign (Note 3) and related investment income. These funds will be utilized for the challenge grant match, scholarships, international support and affiliate services.

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

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

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

Boys Hope Girls Hope Endowment Fund - This component was established to create a permanently restricted fund to generate income to offset general operating expenses and the costs of expansion and local program support.

12. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the year ended June 30, 2010, using quoted prices in active markets (Level 1); significant observable inputs for similar assets (Level 2); and significant unobservable inputs (Level 3):

	June 30, 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds				
Equities	$ 7,065,951	$ —	$ —	$ 7,065,951
Fixed income	2,504,591	—	—	2,504,591
Other	933,224			933,224
Alternative hedge fund	—	—	2,055,398	2,055,398
Total Assets	$ 10,503,766	$ —	$ 2,055,398	$ 12,559,164

	June 30, 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds				
Equities	$ 7,819,861	$ —	$ —	$ 7,819,861
Fixed income	1,652,971	—	—	1,652,971
Other	755,359			755,359
Alternative hedge fund	—	—	1,876,194	1,876,194
Total Assets	$ 10,228,191	$ —	$ 1,876,194	$ 12,104,385

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended June 30, 2010 and 2009:

	Alternative Hedge Fund Investment
Balance at July 1, 2008	$ —
Purchase of investment	1,800,000
Increase in value	76,194
Balance at June 30, 2009	1,876,194
Increase in value	179,204
Balance at June 30, 2010	$ 2,055,398

Change in the value of the alternative hedge fund investment is presented within the total investment gain as shown separately on the Organization's statement of activities for the year ended June 30, 2010. The alternative hedge fund investment is valued at net asset value determined by the fund manager generally based upon observable prices for underlying assets which are not quoted in active markets.

The investment in the alternative hedge fund is subject to restrictions on withdrawal which have an indeterminable factor on the asset valuation.

13. Endowment Funds

The Organization's endowment consists of approximately three individual donor-restricted endowment funds established for a variety of purposes, including general national campaign/affiliate support, international assistance, and scholarships. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Organization have adopted a policy 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. The Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets.

Endowment Net Asset Composition

As of June 30, 2010 and 2009, the Organization had $8,343,044 in three permanently restricted endowment funds designated for international assistance, scholarship and general affiliate assistance. Additionally, the Organization had $382,209 in temporarily donor-restricted funds at June 30, 2010. There were no temporarily donor-restricted funds at June 30, 2009.

Changes In Endowment Assets For The Fiscal Years Ended June 30, 2010 And 2009:

	2010		
	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year	$ —	$ 8,343,044	$ 8,343,044
Investment income	1,007,209	—	1,007,209
Appropriation of endowment assets for expenditure	(625,000)	—	(625,000)
Endowment assets, end of year	$ 382,209	$ 8,343,044	$ 8,725,253

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year	$ —	$ —	$ 8,343,044	$ 8,343,044
Investment income	585,961	—	—	585,961
Appropriation of endowment assets for expenditure	(585,961)	—	—	(585,961)
Endowment assets, end of year	$ —	$ —	$ 8,343,044	$ 8,343,044

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature related to market fluctuations are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2010.

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 produce an average annual rate of return of 8.5% over the long term, while assuming a moderate level of investment risk. The Organization expects its actual rate of return in any given year to vary from this rate.

Strategies Employed For Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). 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 has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. 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 average of 4% annually. This 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. In 2009 and years prior, the Organization expended all earnings on the endowment within the purpose of the restrictions as required by donors.

14. Loss From Uncollectible Pledge

The Organization received a major pledge in 2002 for $475,000. Subsequent to year end, the donor passed away and the Organization has determined it necessary to recognize a loss of the entire amount of the unpaid pledge net of its present value discount. A loss of $280,251 has been reported outside of operations in 2010.