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**BOYS HOPE GIRLS HOPE**  
*FINANCIAL STATEMENTS*  
*JUNE 30, 2012*

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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, 2012 and 2011, 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, 2012 and 2011, 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 19, 2012

**BOYS HOPE GIRLS HOPE**  
**STATEMENT OF FINANCIAL POSITION**

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**Assets**

	<b>June 30,</b>	
	<b>2012</b>	<b>2011</b>
Cash and cash equivalents	\$ 85,090	\$ 147,466
Grant receivable	60,999	—
Pledges receivable (Note 3)	144,232	133,218
Investments (Note 4)	4,388,556	6,085,265
Retirement plan assets (Note 5)	217,481	212,155
Due from affiliates (Note 6)	439,717	492,522
Property and equipment (Notes 7, 8 and 9)	635,194	701,601
Other assets	4,927	7,262
Investments restricted for endowment (Note 4)	8,343,044	8,343,044
<b>Total Assets</b>	<b>\$ 14,319,240</b>	<b>\$ 16,122,533</b>

**Liabilities And Net Assets**

**Liabilities**

Accounts payable and accrued expenses	\$ 327,646	\$ 254,507
Due to affiliates (Notes 3 and 6)	81,165	70,530
Retirement plan liabilities (Note 5)	158,063	158,879
Note payable (Note 8)	53,752	51,047
Bonds payable (Note 9)	75,000	105,000
<b>Total Liabilities</b>	<b>695,626</b>	<b>639,963</b>

**Net Assets**

Unrestricted	1,080,766	1,479,051
Temporarily restricted (Note 11)	4,199,804	5,660,475
Permanently restricted (Note 11)	8,343,044	8,343,044
<b>Total Net Assets</b>	<b>13,623,614</b>	<b>15,482,570</b>

<b>Total Liabilities And Net Assets</b>	<b>\$ 14,319,240</b>	<b>\$ 16,122,533</b>
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**BOYS HOPE GIRLS HOPE**  
**STATEMENT OF ACTIVITIES**

	For The Year Ended June 30, 2012				For The Year Ended June 30, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public Support And Revenues</b>								
Contributions	\$ 561,802	\$ 314,929	\$ —	\$ 876,731	\$ 620,135	\$ 544,022	\$ —	\$ 1,164,157
Government grants	212,269	—	—	212,269	197,348	—	—	197,348
Support from local affiliates (Note 6)	335,421	—	—	335,421	335,620	—	—	335,620
Investment return designated for current operations (Note 4)	—	690,000	—	690,000	—	704,000	—	704,000
Other income	31,428	—	—	31,428	6,985	—	—	6,985
Net assets released from restrictions (Note 11)	1,474,869	(1,474,869)	—	—	1,367,650	(1,367,650)	—	—
<b>Total Public Support And Revenues</b>	<b>2,615,789</b>	<b>(469,940)</b>	<b>—</b>	<b>2,145,849</b>	<b>2,527,738</b>	<b>(119,628)</b>	<b>—</b>	<b>2,408,110</b>
<b>Expenses</b>								
Program services	2,298,412	—	—	2,298,412	2,412,107	—	—	2,412,107
Supporting activities:								
Management and general	440,627	—	—	440,627	366,946	—	—	366,946
Fundraising	73,468	—	—	73,468	54,170	—	—	54,170
<b>Total Supporting Activities</b>	<b>514,095</b>	<b>—</b>	<b>—</b>	<b>514,095</b>	<b>421,116</b>	<b>—</b>	<b>—</b>	<b>421,116</b>
<b>Total Expenses</b>	<b>2,812,507</b>	<b>—</b>	<b>—</b>	<b>2,812,507</b>	<b>2,833,223</b>	<b>—</b>	<b>—</b>	<b>2,833,223</b>
<b>Increase (Decrease) In Net Assets From Operations</b>	<b>(196,718)</b>	<b>(469,940)</b>	<b>—</b>	<b>(666,658)</b>	<b>(305,485)</b>	<b>(119,628)</b>	<b>—</b>	<b>(425,113)</b>
<b>Investment Return (Loss) Greater Than Amounts Designated For Current Operations (Note 4)</b>	<b>(201,567)</b>	<b>(990,731)</b>	<b>—</b>	<b>(1,192,298)</b>	<b>1,205,880</b>	<b>1,011,188</b>	<b>—</b>	<b>2,217,068</b>
<b>Increase (Decrease) In Net Assets</b>	<b>(398,285)</b>	<b>(1,460,671)</b>	<b>—</b>	<b>(1,858,956)</b>	<b>900,395</b>	<b>891,560</b>	<b>—</b>	<b>1,791,955</b>
<b>Net Assets - Beginning Of Year</b>	<b>1,479,051</b>	<b>5,660,475</b>	<b>8,343,044</b>	<b>15,482,570</b>	<b>578,656</b>	<b>4,768,915</b>	<b>8,343,044</b>	<b>13,690,615</b>
<b>Net Assets - End Of Year</b>	<b>\$ 1,080,766</b>	<b>\$ 4,199,804</b>	<b>\$ 8,343,044</b>	<b>\$ 13,623,614</b>	<b>\$ 1,479,051</b>	<b>\$ 5,660,475</b>	<b>\$ 8,343,044</b>	<b>\$ 15,482,570</b>

## BOYS HOPE GIRLS HOPE

### STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended June 30, 2012

	Program Services	Supporting Activities			Total
	General Operations	Management And General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$ 991,930	\$ 317,161	\$ 64,773	\$ 381,934	\$ 1,373,864
Program support and administration	368,306	4,485	—	4,485	372,791
Scholarship	254,768	—	—	—	254,768
Depreciation	47,813	15,274	3,320	18,594	66,407
Information technology	58,839	13,421	821	14,242	73,081
Insurance, licenses, dues and property taxes	16,000	14,005	—	14,005	30,005
Interest and bank fees	4,110	12,119	—	12,119	16,229
International assistance	325,330	—	—	—	325,330
Postage and stationery	4,010	4,134	—	4,134	8,144
Professional fees	64,951	27,850	—	27,850	92,801
Promotion and marketing	1,876	2,189	—	2,189	4,065
Repairs and maintenance	25,991	8,303	1,805	10,108	36,099
Staff recruiting and education	25,381	2,869	595	3,464	28,845
Supplies	1,989	9,889	—	9,889	11,878
Travel	69,728	595	474	1,069	70,797
Utilities	24,190	7,727	1,680	9,407	33,597
Volunteers' expenses	13,200	606	—	606	13,806
	<b>\$ 2,298,412</b>	<b>\$ 440,627</b>	<b>\$ 73,468</b>	<b>\$ 514,095</b>	<b>\$ 2,812,507</b>

## BOYS HOPE GIRLS HOPE

### STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended June 30, 2011

	Program Services	Supporting Activities			Total
	General Operations	Management And General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$ 961,948	\$ 233,364	\$ 33,928	\$ 267,292	\$ 1,229,240
Program support and administration	448,086	10,073	367	10,440	458,526
Scholarship	242,861	—	—	—	242,861
Grant expense (Note 3)	34,000	—	—	—	34,000
Bad debt expense	—	—	8,969	8,969	8,969
Depreciation	65,400	15,931	2,515	18,446	83,846
Information technology	52,950	19,908	798	20,706	73,656
Insurance, licenses, dues and property taxes	19,506	11,112	—	11,112	30,618
Interest and bank fees	743	15,065	—	15,065	15,808
International assistance	282,830	—	—	—	282,830
Postage and stationery	2,394	3,751	1,161	4,912	7,306
Professional fees	136,235	26,829	—	26,829	163,064
Promotion and marketing	6,329	1,458	2,515	3,973	10,302
Repairs and maintenance	15,957	3,887	614	4,501	20,458
Staff recruiting and education	31,638	3,379	595	3,974	35,612
Supplies	1,064	12,232	—	12,232	13,296
Travel	55,787	1,781	1,482	3,263	59,050
Utilities	31,874	7,764	1,226	8,990	40,864
Volunteers' expenses	22,505	412	—	412	22,917
	<b>\$ 2,412,107</b>	<b>\$ 366,946</b>	<b>\$ 54,170</b>	<b>\$ 421,116</b>	<b>\$ 2,833,223</b>

**BOYS HOPE GIRLS HOPE**  
**STATEMENT OF CASH FLOWS**

	<b>For The Years Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ (1,858,956)	\$ 1,791,955
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	66,407	83,846
Accretion of discount on note payable	5,105	4,859
Realized gain on sale of investments	(513,495)	(126,084)
Unrealized (gain) loss on investments	1,316,108	(2,538,667)
Changes in assets and liabilities:		
Increase in grant receivable	(60,999)	—
(Increase) decrease in pledges receivable	(11,014)	9,395
(Increase) decrease in due from affiliates	52,805	(22,840)
Increase in retirement plan assets (net)	(6,142)	—
(Increase) decrease in other assets	(54)	23,129
Increase in accounts payable and accrued expenses	73,139	22,214
Increase (decrease) in due to affiliates	10,635	(87,838)
<b>Net Cash Used In Operating Activities</b>	<b>(926,461)</b>	<b>(840,031)</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(1,194,950)	(1,336,314)
Proceeds from sale of investments	2,089,046	2,157,202
Receipts on capital leases receivable	2,389	2,171
<b>Net Cash Provided By Investing Activities</b>	<b>896,485</b>	<b>823,059</b>
<b>Cash Flows From Financing Activities</b>		
Principal payments on note payable	(2,400)	(2,400)
Principal payments on bonds payable	(30,000)	(30,000)
<b>Net Cash Used In Financing Activities</b>	<b>(32,400)</b>	<b>(32,400)</b>
<b>Net Decrease In Cash And Cash Equivalents</b>	<b>(62,376)</b>	<b>(49,372)</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>147,466</b>	<b>196,838</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 85,090</b>	<b>\$ 147,466</b>
<b>Supplemental Cash Flow Information</b>		
Interest paid	<b>\$ 7,002</b>	<b>\$ 7,363</b>



# **BOYS HOPE GIRLS HOPE**

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## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012 And 2011**

### **1. Summary Of Significant Accounting Policies**

#### **Basis Of Accounting**

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

#### **Basis Of Presentation**

Financial statement presentation follows the requirements of the Financial Accounting Standards Board for not-for-profit organizations by presenting assets and liabilities within similar groups and classifying them in a way that provides relevant information about the interrelationships, liquidity, and financial flexibility. As a result, the Organization is required to report information regarding its financial position and activities according to the following 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 And Grant 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 3.5% has been utilized in June 30, 2012 and 2011. Pledges and grant receivable are reported at the amount management expects to collect on balances outstanding at year end.

## **BOYS HOPE GIRLS HOPE**

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### Notes To Financial Statements (*Continued*)

An allowance for uncollectible pledges and grant 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 and grant receivable. Management has determined that an allowance for uncollectible grants receivable is not necessary. 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 and grant receivable.

#### **Investments And Assets 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 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

## **BOYS HOPE GIRLS HOPE**

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### Notes To Financial Statements (*Continued*)

#### **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 two three-year grants from the Corporation for National and Community Service to fund the Organization's Links Mentoring program. One grant expired in September 2011 and one grant expires in September 2015. Revenue under this grant is recorded in government grants on the statement of activities and is classified as unrestricted. Amounts receivable on the grant were \$60,999 at June 30, 2012. No amounts were receivable at June 30, 2011.

#### **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.

## **BOYS HOPE GIRLS HOPE**

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### Notes To Financial Statements (*Continued*)

#### **Fundraising**

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

#### **Expense Allocation**

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

#### **Tax Status**

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

The federal tax returns for tax years ended June 30, 2009 and later remain subject to examination by taxing authorities.

#### **Reclassifications**

Certain amounts in the 2011 financial statements were reclassified, where appropriate, to conform to the presentation used in the 2012 financial statements.

#### **Subsequent Events**

Management has evaluated subsequent events through October 19, 2012, the date which the financial statements were available for issue.

## **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.

## **BOYS HOPE GIRLS HOPE**

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### Notes To Financial Statements (*Continued*)

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, 2012 and 2011, no National Campaign contribution revenue was received or recorded. The Organization had National Campaign pledges receivable of \$8,969 for years ended June 30, 2012 and 2011.

As part of the National Campaign, the Organization 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.

Match amounts from the Organization for the challenge grant are included in due to affiliates on the statement of financial position (Note 6). The amount recorded for challenge grant expense in 2011 was \$9,000. No expenses were incurred during 2012.

## BOYS HOPE GIRLS HOPE

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### Notes To Financial Statements (Continued)

Pledges receivable consist of the following:

	<u>2012</u>	<u>2011</u>
National Campaign	\$ 8,969	\$ 8,969
Operational fund	150,090	140,090
	<u>159,059</u>	<u>149,059</u>
Less: Discount on pledges receivable	676	1,690
Allowance for doubtful accounts	14,151	14,151
	<u>\$ 144,232</u>	<u>\$ 133,218</u>

Pledges receivable are collectible as follows:

	<u>2012</u>	<u>2011</u>
Less than one year	\$ 139,059	\$ 99,059
One to five years	20,000	50,000
	<u>159,059</u>	<u>149,059</u>
Less: Discount on pledges receivable	676	1,690
Allowance for doubtful accounts	14,151	14,151
	<u>\$ 144,232</u>	<u>\$ 133,218</u>

#### 4. Investments

Investments are recorded at fair value and consist of:

	<u>2012</u>	<u>2011</u>
Cash equivalents	\$ 115,060	\$ 63,243
Bond funds	1,692,163	2,703,220
Equity funds	9,197,053	9,626,015
Holding fund	—	1,300,000
Alternative hedge funds	1,885,386	894,709
	<u>12,889,662</u>	<u>14,587,187</u>
Less: Investments restricted for endowment	8,343,044	8,343,044
	<u>\$ 4,546,618</u>	<u>\$ 6,244,143</u>

At June 30, 2012 and 2011, retirement plan assets of \$158,063 and \$158,879, respectively, were included in investments and recorded at fair value (Note 5).

## BOYS HOPE GIRLS HOPE

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### Notes To Financial Statements (Continued)

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, the appropriated amount will be lowered in order to retain the historical value of the endowment.

On June 30, 2011, \$1,300,000 was transferred out of the alternative hedge fund. The amount was held for 45 days to verify the value of the hedge fund. On August 15, 2011, the \$1,300,000 was deposited into cash equivalents of another investment account held by the Organization.

Investment income (loss) consists of:

	<u>2012</u>	<u>2011</u>
Interest and dividend income (net)	\$ 300,315	\$ 256,317
Realized gains	513,495	126,084
Unrealized gains (losses)	(1,316,108)	2,538,667
	<u>\$ (502,298)</u>	<u>\$ 2,921,068</u>

In 2012 and 2011, interest and dividend income is net of investment fees of \$43,377 and \$45,147, respectively.

Subsequent to year end, the Organization changed their investment portfolio manager.

## 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 \$27,473 and \$24,188 in 2012 and 2011, respectively.

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.

## **BOYS HOPE GIRLS HOPE**

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### Notes To Financial Statements (*Continued*)

At June 30, 2012 and 2011, the pension plan assets represent cash surrender values of a life insurance policy plus the market values of the 401(a) and 403(b) plan assets, which are included in investments (Note 4). The pension plan liabilities represent the actuarial present value of benefits related to prior employees' service.

## **6. Affiliations And Related Parties**

As of June 30, 2012, 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 2012 and 2011, such assessments totaled \$335,421 and \$335,620, respectively. At June 30, 2012 and 2011, the Organization was due \$439,717 and \$492,522, 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, 2012 and 2011, the Organization owed \$81,165 and \$70,530, respectively, to its affiliates.



## BOYS HOPE GIRLS HOPE

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### Notes To Financial Statements (Continued)

At June 30, 2012, the Southern California affiliate has an outstanding balance of approximately \$73,000 on a \$75,000 line of credit that has been co-signed by the Organization. The Southern California line of credit was paid off and closed subsequent to year end.

At June 30, 2012, the San Francisco affiliate has an outstanding balance of approximately \$40,000 on a \$75,000 line of credit that has been co-signed by the Organization. The San Francisco line of credit was paid off and closed subsequent to year end.

## 7. Property And Equipment

Property and equipment consist of:

	<u>2012</u>	<u>2011</u>
Building and improvements	\$ 1,121,111	\$ 1,121,111
Computer equipment	370,500	370,500
Furniture and equipment	193,018	193,018
	<u>1,684,629</u>	<u>1,684,629</u>
Less: Accumulated depreciation	<u>1,049,435</u>	<u>983,028</u>
	<u>\$ 635,194</u>	<u>\$ 701,601</u>

Depreciation charged to expense amounted to \$66,407 in 2012 and \$83,846 in 2011.

## 8. Note Payable

During 1990, the Organization constructed a house in Phoenix, Arizona to be used by the 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:

	<u>2012</u>	<u>2011</u>
Note payable, maturity value of \$60,000, secured by real estate, due in 2014, with annual payments of \$2,400 through 2014, discounted 10%	<u>\$ 53,752</u>	<u>\$ 51,047</u>

## BOYS HOPE GIRLS HOPE

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### Notes To Financial Statements (Continued)

Interest incurred on the note payable during 2012 and 2011 totaled approximately \$4,300 and \$3,900, respectively.

## 9. Industrial Development Authority Bonds Payable

The bonds payable consist of the following:

	<u>2012</u>	<u>2011</u>
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, 2012 and 2011)	\$ 75,000	\$ 105,000

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 or after January 1, 2010. The bonds can 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 2012 and 2011 approximated \$2,700 and \$3,500, respectively.

As of June 30, 2012, 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:

<u>Year</u>	<u>Note Payable</u>	<u>Bonds Payable</u>	<u>Total</u>
2013	\$ —	\$ 30,000	\$ 30,000
2014	53,752	30,000	83,752
2015	—	15,000	15,000
	<u>\$ 53,752</u>	<u>\$ 75,000</u>	<u>\$ 128,752</u>

## BOYS HOPE GIRLS HOPE

### Notes To Financial Statements (Continued)

#### 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, 2012 and 2011. Interest is payable monthly at the prime rate not to be less than 4%. 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:

	2012		2011	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
National Campaign	\$ 2,800,366	\$ —	\$ 2,836,469	\$ —
International	185,790	200,000	276,525	200,000
Jean T. McKenna				
National Scholarship	131,224	1,059,638	395,986	1,059,638
Other funded projects	679,757	—	758,097	—
Boys Hope Girls Hope Endowment Fund	402,667	7,083,406	1,393,398	7,083,406
	<u>\$ 4,199,804</u>	<u>\$ 8,343,044</u>	<u>\$ 5,660,475</u>	<u>\$ 8,343,044</u>

Net assets were released from donor restrictions as follows:

	2012	2011
National Campaign	\$ 36,103	\$ 550,191
International	325,330	252,271
Jean T. McKenna National Scholarship	254,692	116,750
Other funded projects	123,340	3,399
Boys Hope Girls Hope Endowment Fund		
Appropriation	735,404	445,039
	<u>\$ 1,474,869</u>	<u>\$ 1,367,650</u>

## **BOYS HOPE GIRLS HOPE**

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### Notes To Financial Statements (*Continued*)

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.

## BOYS HOPE GIRLS HOPE

### Notes To Financial Statements (Continued)

## 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 years ended June 30, 2012 and 2011, using quoted prices in active markets (Level 1); significant observable inputs for similar assets (Level 2); and significant unobservable inputs (Level 3):

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
Bond funds				
Short term bond	\$ 7,500	\$ —	\$ —	\$ 7,500
Intermediate term bond	918,347	—	—	918,347
Nontraditional bond	4,311	—	—	4,311
High yield bond	3,870	—	—	3,870
Multisector bond	14,722	—	—	14,722
World bond	743,413	—	—	743,413
Equity funds				
Diversified emerging markets	1,050,177	—	—	1,050,177
Foreign large blend	789,248	—	—	789,248
Foreign large value	820,256	—	—	820,256
Foreign small/mid blend	361,013	—	—	361,013
World allocation	1,072,424	—	—	1,072,424
Large blend	784,770	—	—	784,770
Large growth	2,093,309	—	—	2,093,309
Large value	1,177,006	—	—	1,177,006
Natural resources	668,112	—	—	668,112
Mid-cap blend	380,738	—	—	380,738
Alternative hedge funds	—	—	1,885,386	1,885,386
Total Assets	\$ 10,889,216	\$ —	\$ 1,885,386	\$ 12,774,602

## BOYS HOPE GIRLS HOPE

### Notes To Financial Statements (Continued)

	June 30, 2011			
	Level 1	Level 2	Level 3	Total
Bond funds				
Short term bond	\$ 7,309	\$ —	\$ —	\$ 7,309
Intermediate term bond	1,015,534	—	—	1,015,534
Multisector bond	9,157	—	—	9,157
World bond	1,671,219	—	—	1,671,219
Equity funds				
Diversified emerging markets	1,310,877	—	—	1,310,877
Foreign large blend	1,186,253	—	—	1,186,253
Foreign large value	1,764,013	—	—	1,764,013
World allocation	35,910	—	—	35,910
Large blend	886,607	—	—	886,607
Large growth	3,246,722	—	—	3,246,722
Large value	166,654	—	—	166,654
Mid-cap growth	19,516	—	—	19,516
Natural resources	1,009,464	—	—	1,009,464
Holding fund	1,300,000	—	—	1,300,000
Alternative hedge funds	—	—	894,709	894,709
<b>Total Assets</b>	<b>\$ 13,629,235</b>	<b>\$ —</b>	<b>\$ 894,709</b>	<b>\$ 14,523,944</b>

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, 2012 and 2011:

	<b>Alternative Hedge Fund Investments</b>
Balance at July 1, 2010	\$ 2,055,398
Sale of investment	(1,300,000)
Increase in value	139,311
Balance at June 30, 2011	894,709
Purchase of investment	1,000,000
Dividends and interest	14,921
Fees	(2,488)
Decrease in value	(21,756)
Balance at June 30, 2012	<u>\$ 1,885,386</u>

Change in the value of the alternative hedge fund investments are presented within the total investment gain as shown separately on the Organization's statement of activities for the years ended June 30, 2012 and 2011.

## BOYS HOPE GIRLS HOPE

### Notes To Financial Statements (Continued)

The Organization has adopted ASC 820-10-15-4, *Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*. Under the guidance, a reporting entity is permitted, as a practical expedient, to estimate the fair value of certain portfolio investments on the basis of the net asset value per share. In the normal course of business, the Organization holds certain investments that would qualify for the usage of the practical expedient.

The alternative hedge fund investments are valued at net asset value determined by the fund managers generally based upon observable prices for underlying assets which are not quoted in active markets. The investments in the alternative hedge funds are subject to restrictions on withdrawal which have an indeterminable factor on the asset valuation.

The following table summarizes the Organization's investments in entities that calculate net asset value per share (or its equivalents):

	<b>June 30, 2012</b>			
	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Commingled private investment funds <sup>(a)</sup>	\$ 881,150	\$ —	Quarterly	100 days 10 days before
Commingled bond fund <sup>(b)</sup>	1,004,236	—	Monthly	month end
<b>Total investments</b>	<b>\$ 1,885,386</b>	<b>\$ —</b>		

	<b>June 30, 2011</b>			
	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Commingled private investment funds <sup>(a)</sup>	\$ 894,709	\$ —	Quarterly	100 days

## **BOYS HOPE GIRLS HOPE**

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### Notes To Financial Statements (*Continued*)

- a. This fund employs a group of portfolio managers who invest funds using three overall strategies: Absolute Return, Security Selection, and Hedging. Absolute return strategies are expected to produce consistent, low volatility returns and can invest across the entire spectrum of investment strategies. Security selection strategies are usually bi-directional and focus on idiosyncratic risks or situations. These strategies generally carry greater return/risk profiles. Hedging strategies are designed to provide short exposure to traditional markets capable of producing strong results in times of market stress. This fund has the ability to liquidate its investments periodically, ranging from monthly to every two years, depending on the provisions of the respective private investment fund's governing agreement. Additionally, most private investment fund governing documents provide the general partner or manager with the ability to suspend, postpone, or limit redemptions.
- b. The objective of this fund is to achieve favorable income-oriented returns from a globally diversified portfolio of primarily debt or debt-like securities, as well as to preserve and enhance principal. The underlying fund assets consist primarily of debt securities issued by foreign governments. Forward contracts are used in the management of this fund's currency risk and the manager undertakes currency hedging to generate desired exposures.

The alternative hedge funds were sold subsequent to year end.

### **13. Endowment Funds**

The Organization's endowment consists of 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 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.



## BOYS HOPE GIRLS HOPE

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### Notes To Financial Statements (Continued)

The Board of Directors 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, 2012 and 2011, 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 \$402,667 and \$1,393,398 in temporarily restricted endowment funds at June 30, 2012 and 2011, respectively, for endowment earnings unappropriated by the Board of Directors at year end.

#### Changes In Endowment Assets For The Fiscal Years Ended June 30, 2012 And 2011:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets at June 30, 2010	\$ 382,209	\$ 8,343,044	\$ 8,725,253
Investment income	1,715,189	—	1,715,189
Appropriation of endowment assets for expenditure	(704,000)	—	(704,000)
Endowment assets at June 30, 2011	1,393,398	8,343,044	9,736,442
Investment loss	(300,731)	—	(300,731)
Appropriation of endowment assets for expenditure	(690,000)	—	(690,000)
Endowment assets at June 30, 2012	\$ 402,667	\$ 8,343,044	\$ 8,745,711

#### 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, 2012.

**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 3.5% 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.

**14. Subsequent Event**

The Organization entered into a lease agreement with IBM effective in August 2012 for computer hardware. The lease term is five years of monthly payments. Total amount financed was approximately \$150,000.