

---

**BOYS HOPE GIRLS HOPE**  
*FINANCIAL STATEMENTS*  
*JUNE 30, 2014*

---



## **Contents**

---

	<b>Page</b>
<b>Independent Auditors' Report</b> .....	1 - 2
 <b>Financial Statements</b>	
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 - 26

## Independent Auditors' Report

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

### Report On The Financial Statements

We have audited the accompanying financial statements of Boys Hope Girls Hope (the Organization), a not-for-profit organization, which comprise the statement of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility For The Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys Hope Girls Hope as of June 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*RubinBrown LLP*

October 14, 2014

**BOYS HOPE GIRLS HOPE**

---

**STATEMENT OF FINANCIAL POSITION**

**Assets**

	<b>June 30,</b>	
	<b>2014</b>	<b>2013</b>
Cash and cash equivalents	\$ 95,847	\$ 116,107
Grant receivable	—	24,635
Pledges receivable (Note 3)	146,230	96,230
Investments (Note 4)	4,841,950	4,647,461
Retirement plan assets (Note 5)	281,141	246,637
Due from affiliates (Note 6)	348,120	465,096
Property and equipment (Notes 7, 8, 9 and 11)	864,081	703,998
Other assets	—	4,928
Investments restricted for endowment (Notes 4 and 13)	8,343,044	8,343,044
<b>Total Assets</b>	<b>\$ 14,920,413</b>	<b>\$ 14,648,136</b>

**Liabilities And Net Assets**

**Liabilities**

Accounts payable and accrued expenses	\$ 321,110	\$ 285,344
Due to affiliates (Note 6)	—	10,000
Retirement plan liabilities (Note 5)	214,964	182,765
Refundable advance	100,000	100,000
Capital lease obligations (Note 11)	101,964	135,571
Note payable (Note 8)	—	56,727
Bonds payable (Note 9)	15,000	45,000
<b>Total Liabilities</b>	<b>753,038</b>	<b>815,407</b>

**Net Assets**

Unrestricted	1,144,738	1,182,754
Temporarily restricted (Note 12)	4,679,593	4,306,931
Permanently restricted (Note 12)	8,343,044	8,343,044
<b>Total Net Assets</b>	<b>14,167,375</b>	<b>13,832,729</b>

<b>Total Liabilities And Net Assets</b>	<b>\$ 14,920,413</b>	<b>\$ 14,648,136</b>
---	----------------------	----------------------

**BOYS HOPE GIRLS HOPE**  
**STATEMENT OF ACTIVITIES**

	For The Year Ended June 30, 2014				For The Year Ended June 30, 2013			
	Unrestricted	Temporarily	Permanently	Total	Unrestricted	Temporarily	Permanently	Total
		Restricted	Restricted			Restricted	Restricted	
<b>Public Support And Revenues</b>								
Contributions	\$ 558,749	\$ 704,500	\$ —	\$ 1,263,249	\$ 708,772	\$ 607,903	\$ —	\$ 1,316,675
Government grants	176,624	—	—	176,624	68,581	—	—	68,581
Support from local affiliates (Note 6)	347,770	—	—	347,770	335,620	—	—	335,620
Investment income (Note 4)	558,983	1,053,286	—	1,612,269	409,257	868,516	—	1,277,773
Other income	—	—	—	—	21,894	—	—	21,894
Investment return designated for								
current operations (Notes 12 and 13)	624,000	(624,000)	—	—	623,500	(623,500)	—	—
Net assets released from restrictions (Note 12)	761,124	(761,124)	—	—	745,792	(745,792)	—	—
<b>Total Public Support And Revenues</b>	<b>3,027,250</b>	<b>372,662</b>	<b>—</b>	<b>3,399,912</b>	<b>2,913,416</b>	<b>107,127</b>	<b>—</b>	<b>3,020,543</b>
<b>Expenses</b>								
Program services	2,721,060	—	—	2,721,060	2,366,514	—	—	2,366,514
Supporting activities:								
Management and general	405,360	—	—	405,360	390,860	—	—	390,860
Fundraising	50,189	—	—	50,189	42,500	—	—	42,500
Total Supporting Activities	455,549	—	—	455,549	433,360	—	—	433,360
<b>Total Expenses</b>	<b>3,176,609</b>	<b>—</b>	<b>—</b>	<b>3,176,609</b>	<b>2,799,874</b>	<b>—</b>	<b>—</b>	<b>2,799,874</b>
<b>Increase (Decrease) In Net Assets From Operations</b>	<b>(149,359)</b>	<b>372,662</b>	<b>—</b>	<b>223,303</b>	<b>113,542</b>	<b>107,127</b>	<b>—</b>	<b>220,669</b>
<b>Other Gains (Losses)</b>								
Gain (loss) from involuntary conversion (Note 7)	111,343	—	—	111,343	(11,554)	—	—	(11,554)
<b>Increase (Decrease) In Net Assets</b>	<b>(38,016)</b>	<b>372,662</b>	<b>—</b>	<b>334,646</b>	<b>101,988</b>	<b>107,127</b>	<b>—</b>	<b>209,115</b>
<b>Net Assets - Beginning Of Year</b>	<b>1,182,754</b>	<b>4,306,931</b>	<b>8,343,044</b>	<b>13,832,729</b>	<b>1,080,766</b>	<b>4,199,804</b>	<b>8,343,044</b>	<b>13,623,614</b>
<b>Net Assets - End Of Year</b>	<b>\$ 1,144,738</b>	<b>\$ 4,679,593</b>	<b>\$ 8,343,044</b>	<b>\$ 14,167,375</b>	<b>\$ 1,182,754</b>	<b>\$ 4,306,931</b>	<b>\$ 8,343,044</b>	<b>\$ 13,832,729</b>

## BOYS HOPE GIRLS HOPE

### STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended June 30, 2014

	Program Services	Supporting Activities			Total
		Management And General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$ 1,102,062	\$ 206,529	\$ 40,299	\$ 246,828	\$ 1,348,890
Program support and administration	646,034	10,327	—	10,327	656,361
Scholarship	346,634	—	—	—	346,634
Depreciation and amortization	24,782	42,480	3,540	46,020	70,802
Information technology	56,666	6,989	889	7,878	64,544
Insurance, licenses, dues and personal property taxes	20,687	15,889	—	15,889	36,576
Interest and bank fees	4,105	16,581	—	16,581	20,686
International assistance	302,630	—	—	—	302,630
Postage and stationery	1,065	2,566	—	2,566	3,631
Professional fees	65,921	34,053	—	34,053	99,974
Promotion and marketing	11,188	5,294	—	5,294	16,482
Repairs and maintenance	12,380	21,223	1,769	22,992	35,372
Staff recruiting and education	29,081	1,352	1,988	3,340	32,421
Supplies	1,601	6,147	—	6,147	7,748
Travel	52,199	12,245	—	12,245	64,444
Utilities	14,085	23,685	1,704	25,389	39,474
Volunteers' expenses	29,940	—	—	—	29,940
	\$ 2,721,060	\$ 405,360	\$ 50,189	\$ 455,549	\$ 3,176,609

## BOYS HOPE GIRLS HOPE

### STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended June 30, 2013

	Supporting Activities				Total
	Program Services	Management And General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$ 1,032,656	\$ 237,677	\$ 29,371	\$ 267,048	\$ 1,299,704
Program support and administration	309,561	1,774	1,395	3,169	312,730
Scholarship	271,013	—	—	—	271,013
Depreciation and amortization	48,405	17,287	3,457	20,744	69,149
Information technology	103,499	25,790	4,658	30,448	133,947
Insurance, licenses, dues and personal property taxes	16,278	17,648	—	17,648	33,926
Interest and bank fees	4,052	17,553	—	17,553	21,605
International assistance	367,312	—	—	—	367,312
Postage and stationery	781	2,623	—	2,623	3,404
Professional fees	76,869	30,628	—	30,628	107,497
Promotion and marketing	3,505	3,603	290	3,893	7,398
Repairs and maintenance	15,391	5,496	1,099	6,595	21,986
Staff recruiting and education	21,709	1,826	298	2,124	23,833
Supplies	2,029	8,405	—	8,405	10,434
Travel	49,014	12,084	239	12,323	61,337
Utilities	28,361	8,466	1,693	10,159	38,520
Volunteers' expenses	16,079	—	—	—	16,079
	\$ 2,366,514	\$ 390,860	\$ 42,500	\$ 433,360	\$ 2,799,874



# BOYS HOPE GIRLS HOPE

## STATEMENT OF CASH FLOWS

	For The Years	
	Ended June 30,	
	2014	2013
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ 334,646	\$ 209,115
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation and amortization	70,802	69,149
Loss (gain) on involuntary conversion	(111,343)	11,554
Accretion of discount on note payable	3,273	2,975
Imputed interest on capital lease obligation	6,014	6,132
Realized gain on sale of investments	(378,753)	(1,143,501)
Unrealized (gain) loss on investments	(931,843)	10,722
Changes in assets and liabilities:		
Decrease in grant receivable	24,635	36,364
(Increase) decrease in pledges receivable	(50,000)	48,002
(Increase) decrease in due from affiliates	116,976	(25,379)
Increase in retirement plan assets (net)	(2,305)	(4,455)
Decrease in other assets	4,928	—
Decrease in accounts payable and accrued expenses	(33,717)	(42,302)
Decrease in due to affiliates	(10,000)	(71,165)
Increase in refundable advance	—	100,000
<b>Net Cash Used In Operating Activities</b>	<b>(956,687)</b>	<b>(792,789)</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(2,225,400)	(13,033,795)
Proceeds from sale of investments	3,341,507	13,907,669
Insurance proceeds received from involuntary conversion	153,183	22,624
Purchases of property and equipment	(203,242)	(5,901)
<b>Net Cash Provided By Investing Activities</b>	<b>1,066,048</b>	<b>890,597</b>
<b>Cash Flows From Financing Activities</b>		
Principal payments on capital lease obligation	(39,621)	(36,791)
Principal payments on note payable	(60,000)	—
Principal payments on bonds payable	(30,000)	(30,000)
<b>Net Cash Used In Financing Activities</b>	<b>(129,621)</b>	<b>(66,791)</b>
<b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	<b>(20,260)</b>	<b>31,017</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>116,107</b>	<b>85,090</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 95,847</b>	<b>\$ 116,107</b>
<b>Supplemental Cash Flow Information</b>		
Interest paid	\$ 6,166	\$ 7,218
Noncash investing and financing activities (Note 14)		

# **BOYS HOPE GIRLS HOPE**

---

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014 And 2013**

### **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 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 And Grants 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 and grants receivable are reported at the amount management expects to collect on balances outstanding at year end.

## **BOYS HOPE GIRLS HOPE**

---

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

An allowance for uncollectible pledges and grants 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 and grants 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 and grants receivable. Management has determined that an allowance for uncollectible pledges and grants receivable is not necessary as of June 30, 2014 or 2013.

#### **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. 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

## **BOYS HOPE GIRLS HOPE**

---

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

#### **Refundable Advance**

Conditional gifts, which depend upon specified future and uncertain events, are recognized as revenue when the conditions upon which they depend are substantially met. Until conditions are met, gifts are recorded as a liability on the statement of financial position.

#### **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.

#### **Government Grants**

The Organization has a three-year grant from the Corporation for National and Community Service to fund the Organization's Links Mentoring program, which expires in September 2015. Revenue is recognized as reimbursable expenses for this program are incurred. Reimbursable expenses incurred in excess of grant funds received are recorded as a grant receivable.

#### **Donated Services**

Donated services that meet the criteria for recognition under generally accepted accounting principles are recorded at fair value on the date of the donation. There were no donated services received in 2014. Donated technology services of \$76,323 were received in 2013.

## **BOYS HOPE GIRLS HOPE**

---

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

#### **Description Of Program Services And Supporting Activities**

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

##### **Program**

Program services include establishing and supporting affiliates across the United States as well as Central 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 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.

## **BOYS HOPE GIRLS HOPE**

---

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

The federal tax returns for tax years ended June 30, 2011 and later remain subject to examination by taxing authorities.

#### **Subsequent Events**

Management has evaluated subsequent events through October 14, 2014, 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, Peru, Mexico and Guatemala to bring HOPE (Homes, Opportunities, Parenting, Education) to children-in-need.

As “clients” of the National Office, 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 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 scholarships of \$2,000 from the local affiliates.

The National Office’s fundraising activities provide for the services described above while each affiliate generates operating support for the homes.

Each U.S. affiliate is separately incorporated in its respective state, but is covered by a group 501(c)(3) exemption.

## BOYS HOPE GIRLS HOPE

---

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

#### 3. Pledges Receivable

Pledges receivable are expected to be collected in the following periods:

	<u>2014</u>	<u>2013</u>
Less than one year	\$ 100,000	\$ 50,000
One to five years	50,000	50,000
	<u>150,000</u>	<u>100,000</u>
Less: Discount on pledges receivable	<u>3,770</u>	<u>3,770</u>
	<u>\$ 146,230</u>	<u>\$ 96,230</u>

Pledges receivable are recorded after discounting to the present value of future cash flows using a discount rate of 4%.

# BOYS HOPE GIRLS HOPE

## Notes To Financial Statements (Continued)

### 4. Investments

Investments are recorded at fair value and consist of:

	2014	2013
Cash equivalents	\$ 514,365	\$ 1,284,731
Certificates of deposit	545,532	541,228
Treasury Inflation-Protected Securities (TIPS)	—	445,075
Bond funds		
Emerging markets	293,343	293,635
Municipal	888,994	882,151
Short-term	7,738	7,624
High yield	12,348	10,595
Multisector	27,208	24,406
Market neutral	218,739	—
Nontraditional	890,401	12,003
Equity funds		
Emerging markets	325,827	310,040
Foreign large cap blend	767,897	320,849
Foreign large cap value	—	321,173
Foreign large cap growth	358,213	302,338
Foreign small/mid cap blend	324,458	354,374
World allocation	36,112	29,792
Small cap value	470,052	470,569
Small cap growth	504,592	455,304
Mid cap value	—	474,092
Mid cap growth	483,714	456,498
Mid cap blend	441,477	—
Large cap value	655,250	661,839
Large cap growth	686,500	653,977
Large cap blend	8,756	7,214
Managed futures	814,880	820,562
Hedged strategies	1,662,036	1,653,397
Real estate	877,575	814,727
Equity securities		
Basic materials	175,334	67,748
Consumer goods	120,609	136,024
Financial	269,390	262,058
Industrial goods	116,583	100,343
Healthcare	192,104	261,396
Services	292,613	390,534
Technology	417,319	346,974
	13,399,959	13,173,270
Less: Retirement plan investments (Note 5)	214,965	182,765
Less: Investments restricted for endowment (Note 13)	8,343,044	8,343,044
	\$ 4,841,950	\$ 4,647,461



## BOYS HOPE GIRLS HOPE

---

### Notes To Financial Statements (Continued)

Investment income consists of:

	<u>2014</u>	<u>2013</u>
Interest and dividend income (net)	\$ 301,673	\$ 144,994
Realized gains	378,753	1,143,501
Unrealized gains (losses)	931,843	(10,722)
	<u>\$ 1,612,269</u>	<u>\$ 1,277,773</u>

In 2014 and 2013, interest and dividend income is net of investment fees of \$52,298 and \$74,545, respectively.

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

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

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

## BOYS HOPE GIRLS HOPE

### Notes To Financial Statements (Continued)

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

	June 30, 2014			June 30, 2013		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Certificates of deposit	\$ —	\$ 545,532	\$ 545,532	\$ —	\$ 541,228	\$ 541,228
Treasury Inflation-Protected Securities (TIPS)	—	—	—	—	445,075	445,075
Bond funds						
Emerging markets	293,343	—	293,343	293,635	—	293,635
Municipal	888,994	—	888,994	882,151	—	882,151
Short-term	7,738	—	7,738	7,624	—	7,624
High yield	12,348	—	12,348	10,595	—	10,595
Multisector	27,208	—	27,208	24,406	—	24,406
Market neutral	218,739	—	218,739	—	—	—
Nontraditional	890,401	—	890,401	12,003	—	12,003
Equity funds						
Emerging markets	325,827	—	325,827	310,040	—	310,040
Foreign large cap blend	767,897	—	767,897	320,849	—	320,849
Foreign large cap value	—	—	—	321,173	—	321,173
Foreign large cap growth	358,213	—	358,213	302,338	—	302,338
Foreign small/mid cap blend	324,458	—	324,458	354,374	—	354,374
World allocation	36,112	—	36,112	29,792	—	29,792
Small cap value	470,052	—	470,052	470,569	—	470,569
Small cap growth	504,592	—	504,592	455,304	—	455,304
Mid cap value	—	—	—	474,092	—	474,092
Mid cap growth	483,714	—	483,714	456,498	—	456,498
Mid cap blend	441,477	—	441,477	—	—	—
Large cap value	655,250	—	655,250	661,839	—	661,839
Large cap growth	686,500	—	686,500	653,977	—	653,977
Large cap blend	8,756	—	8,756	7,214	—	7,214
Managed futures	814,880	—	814,880	820,562	—	820,562
Hedged strategies	1,662,036	—	1,662,036	1,653,397	—	1,653,397
Real estate	877,575	—	877,575	814,727	—	814,727
Equity securities						
Basic materials	175,334	—	175,334	67,748	—	67,748
Consumer goods	120,609	—	120,609	136,024	—	136,024
Financial	269,390	—	269,390	262,058	—	262,058
Industrial goods	116,583	—	116,583	100,343	—	100,343
Healthcare	192,104	—	192,104	261,396	—	261,396
Services	292,613	—	292,613	390,534	—	390,534
Technology	417,319	—	417,319	346,974	—	346,974
	\$ 12,340,062	\$ 545,532	\$ 12,885,594	\$ 10,902,236	\$ 986,303	\$ 11,888,539

At June 30, 2014 and 2013, the Level 2 assets utilize the following valuation techniques and inputs:

*Certificates of Deposit:* Certificates of deposit are valued at amortized cost which approximates fair value.

## BOYS HOPE GIRLS HOPE

---

### Notes To Financial Statements (Continued)

*Treasury Inflation-Protected Securities:* The fair value of investments in Treasury inflation-protected securities is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads.

During 2014 and 2013, there were no changes in the methods and/or assumptions utilized to derive the fair value of the Organization's investments.

## 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 \$34,584 and \$30,885 in 2014 and 2013, 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.

At June 30, 2014 and 2013, the pension plan assets include:

	<u>2014</u>	<u>2013</u>
Investments (Note 4)	\$ 214,965	\$ 182,765
Cash surrender value of life insurance	66,176	63,872
	<u>\$ 281,141</u>	<u>\$ 246,637</u>

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, 2014, 15 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  
Southern California  
Pittsburgh, Pennsylvania  
Denver, Colorado  
Baton Rouge, Louisiana  
San Francisco, California  
Baltimore, Maryland  
Kansas City, Missouri

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

Guatemala City, Guatemala  
Lima, Peru  
Monterey, Mexico

Affiliates are required to pay an assessment under a contractual agreement. During fiscal years 2014 and 2013, such assessments totaled \$347,770 and \$335,620, respectively. At June 30, 2014 and 2013, the Organization was due \$348,120 and \$465,096, respectively, from the affiliates, the majority of which is 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, 2014, the Organization did not owe any funds to its affiliates. At June 30, 2013, the Organization owed \$10,000 to its affiliates.

At June 30, 2014, the Kansas City affiliate had an outstanding balance of approximately \$96,000 on a \$200,000 line of credit that has been guaranteed by the Organization.

## BOYS HOPE GIRLS HOPE

---

### Notes To Financial Statements (Continued)

#### 7. Property And Equipment

Property and equipment consist of:

	<u>2014</u>	<u>2013</u>
Building and improvements	\$ 1,096,217	\$ 882,383
Computer equipment	536,730	536,730
Computer equipment under capital leases (Note 11)	166,230	166,230
Furniture and equipment	193,018	193,018
Construction in progress	—	5,901
	<u>1,992,195</u>	<u>1,784,262</u>
Less: Accumulated depreciation and amortization	<u>1,128,114</u>	<u>1,080,264</u>
	<u>\$ 864,081</u>	<u>\$ 703,998</u>

Depreciation and amortization charged to expense amounted to \$70,802 in 2014 and \$69,149 in 2013.

During 2013, a portion of the Organization's building was damaged in a storm, resulting in a loss from involuntary conversion of \$11,554. The net book value of the property damaged was \$34,178. Insurance proceeds of \$22,624 were received in 2013. Additional insurance proceeds were received in 2014, as the damaged property continued to be repaired.

During 2014, additional damage related to the 2013 storm was identified, resulting in a gain from involuntary conversion of \$111,343. The net book value of the additional damaged property was \$41,840. Insurance proceeds of \$153,183 were received in 2014 that relate to damages incurred in both 2014 and 2013.

#### 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 consisted of the following:

	<u>2014</u>	<u>2013</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%	\$ —	\$ 56,727

## BOYS HOPE GIRLS HOPE

---

### Notes To Financial Statements (Continued)

Interest incurred on the note payable during 2014 and 2013 totaled \$5,139 and \$5,375, respectively.

During 2014, the note payable matured and was repaid in full.

## 9. Industrial Development Authority Bonds Payable

The bonds payable consist of the following:

	<u>2014</u>	<u>2013</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, 2014 and 2013)	\$ 15,000	\$ 45,000

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 2014 and 2013 totaled \$1,027 and \$1,843, respectively.

All future required principal payments on the bonds payable are due in 2015.

## 10. Line Of Credit

The Organization has a revolving line-of-credit agreement with a maximum draw amount of \$250,000. There was no outstanding balance at June 30, 2014 or 2013. 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 and is unsecured.

## 11. Capital Leases

The Organization is the lessee of computer equipment under capital leases expiring between July 2016 and August 2017. The assets and liabilities under these capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization of assets under capital leases is included in depreciation and amortization expense.

## BOYS HOPE GIRLS HOPE

---

### Notes To Financial Statements (Continued)

Following is a summary of equipment held under capital leases:

	<u>2014</u>	<u>2013</u>
Computer equipment	\$ 166,230	\$ 166,230
Less: Accumulated depreciation	(66,492)	(33,246)
	<u>\$ 99,738</u>	<u>\$ 132,984</u>

The interest rate on the capitalized leases ranges from 0% to 5.4%, which was imputed based on the lower of the Organization's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return. The capital leases allow for a purchase option representing the expected fair value of the equipment at the expiration of the lease terms.

Minimum future lease payments under the capital lease as of June 30, 2014 were as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 36,320
2016	34,448
2017	33,973
2018	5,662
Net minimum lease payments	110,403
Less: Amount representing interest	8,439
Present value of net minimum lease payments	<u>\$ 101,964</u>

## BOYS HOPE GIRLS HOPE

### Notes To Financial Statements (Continued)

#### 12. Net Assets

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

	2014		2013	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
National Campaign and affiliate support	\$ 2,646,692	\$ —	\$ 2,775,228	\$ —
International	393,924	200,000	300,805	200,000
Jean T. McKenna National Scholarship	25,000	1,059,638	92,714	1,059,638
Other funded projects	699,612	—	588,291	—
Boys Hope Girls Hope Endowment Fund	914,365	7,083,406	549,893	7,083,406
	<u>\$ 4,679,593</u>	<u>\$ 8,343,044</u>	<u>\$ 4,306,931</u>	<u>\$ 8,343,044</u>

The net asset components are described as follows:

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

**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)

Net assets were released from donor restrictions as follows:

	<u>2014</u>	<u>2013</u>
National Campaign and affiliate support	\$ 128,536	\$ 25,138
International	287,671	352,365
Jean T. McKenna National Scholarship	201,238	191,823
Other funded projects	143,679	176,466
	<u>\$ 761,124</u>	<u>\$ 745,792</u>

Investment return earned by the Organization's endowment funds (Note 13) was designated for current operations as follows:

	<u>2014</u>	<u>2013</u>
National Campaign and affiliate support	\$ 529,788	\$ 529,363
International	14,959	14,947
Jean T. McKenna National Scholarship	79,253	79,190
	<u>\$ 624,000</u>	<u>\$ 623,500</u>

### 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 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.

## BOYS HOPE GIRLS HOPE

---

### Notes To Financial Statements (Continued)

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Investment earnings that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

### Endowment Net Asset Composition

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

	2014		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 1,076,969	\$ 8,343,044	\$ 9,420,013

  

	2013		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 647,683	\$ 8,343,044	\$ 8,990,727

## BOYS HOPE GIRLS HOPE

---

### Notes To Financial Statements (Continued)

#### Changes In Endowment Assets For The Fiscal Years Ended June 30, 2014 And 2013:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets at July 1, 2012	\$ 402,667	\$ 8,343,044	\$ 8,745,711
Investment income	868,516	—	868,516
Appropriation of endowment assets for expenditure	(623,500)	—	(623,500)
Endowment assets at June 30, 2013	647,683	8,343,044	8,990,727
Investment income	1,053,286	—	1,053,286
Appropriation of endowment assets for expenditure	(624,000)	—	(624,000)
Endowment assets at June 30, 2014	\$ 1,076,969	\$ 8,343,044	\$ 9,420,013

#### 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, 2014 or 2013.

#### 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. Supplemental Cash Flow Information**

In 2014, \$69,483 of property and equipment additions were included in accounts payable and accrued expenses.

In 2013, computer equipment of \$166,230 was acquired through capital leases.