
BOYS HOPE GIRLS HOPE
FINANCIAL STATEMENTS
JUNE 30, 2015



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Independent Auditors' Report

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

Report On The Financial Statements

We have audited the accompanying financial statements of Boys Hope Girls Hope, a not-for-profit organization, which comprise the statement of financial position as of June 30, 2015 and 2014, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys Hope Girls Hope as of June 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

RubinBrown LLP

November 4, 2015

BOYS HOPE GIRLS HOPE

STATEMENT OF FINANCIAL POSITION

Assets

	June 30,	
	2015	2014
Cash and cash equivalents	\$ 303,615	\$ 95,847
Pledges receivable (Note 3)	80,000	146,230
Investments (Note 4)	3,606,082	4,841,950
Retirement plan assets (Note 5)	287,917	281,141
Due from affiliates (Note 6)	148,734	348,120
Property and equipment (Notes 7, 8 and 10)	869,380	864,081
Investments restricted for endowment (Notes 4 and 12)	8,343,044	8,343,044
Total Assets	\$ 13,638,772	\$ 14,920,413

Liabilities And Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 299,094	\$ 321,110
Retirement plan liabilities (Note 5)	219,412	214,964
Refundable advance	—	100,000
Capital lease obligations (Note 10)	66,807	101,964
Bonds payable (Note 8)	—	15,000
Total Liabilities	585,313	753,038

Net Assets

Unrestricted	584,607	1,144,738
Temporarily restricted (Note 11)	4,125,808	4,679,593
Permanently restricted (Note 11)	8,343,044	8,343,044
Total Net Assets	13,053,459	14,167,375

Total Liabilities And Net Assets	\$ 13,638,772	\$ 14,920,413
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BOYS HOPE GIRLS HOPE
STATEMENT OF ACTIVITIES

	For The Year Ended June 30, 2015				For The Year Ended June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support And Revenues								
Contributions	\$ 620,159	\$ 644,842	\$ —	\$ 1,265,001	\$ 558,749	\$ 704,500	\$ —	\$ 1,263,249
Government grants	234,891	—	—	234,891	176,624	—	—	176,624
Support from local affiliates (Note 6)	335,620	—	—	335,620	347,770	—	—	347,770
Investment income (Note 4)	106,586	366,607	—	473,193	558,983	1,053,286	—	1,612,269
Other income	8,477	—	—	8,477	—	—	—	—
Investment return designated for current operations (Notes 11 and 12)	650,000	(650,000)	—	—	624,000	(624,000)	—	—
Net assets released from restrictions (Note 11)	915,234	(915,234)	—	—	761,124	(761,124)	—	—
Total Public Support And Revenues	2,870,967	(553,785)	—	2,317,182	3,027,250	372,662	—	3,399,912
Expenses								
Program services	3,018,066	—	—	3,018,066	2,721,060	—	—	2,721,060
Supporting activities:								
Management and general	423,302	—	—	423,302	405,360	—	—	405,360
Fundraising	51,788	—	—	51,788	50,189	—	—	50,189
Total Supporting Activities	475,090	—	—	475,090	455,549	—	—	455,549
Total Expenses	3,493,156	—	—	3,493,156	3,176,609	—	—	3,176,609
Increase (Decrease) In Net Assets From Operations	(622,189)	(553,785)	—	(1,175,974)	(149,359)	372,662	—	223,303
Other Gains								
Gain from involuntary conversion (Note 7)	62,058	—	—	62,058	111,343	—	—	111,343
Increase (Decrease) In Net Assets	(560,131)	(553,785)	—	(1,113,916)	(38,016)	372,662	—	334,646
Net Assets - Beginning Of Year	1,144,738	4,679,593	8,343,044	14,167,375	1,182,754	4,306,931	8,343,044	13,832,729
Net Assets - End Of Year	\$ 584,607	\$ 4,125,808	\$ 8,343,044	\$ 13,053,459	\$ 1,144,738	\$ 4,679,593	\$ 8,343,044	\$ 14,167,375

BOYS HOPE GIRLS HOPE

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended June 30, 2015

	Program Services	Supporting Activities			Total
		Management And General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$ 1,193,816	\$ 250,180	\$ 41,704	\$ 291,884	\$ 1,485,700
Program support and administration	572,221	6,397	—	6,397	578,618
Scholarship	369,465	—	—	—	369,465
Depreciation and amortization	48,257	28,150	4,021	32,171	80,428
Information technology	128,068	9,474	942	10,416	138,484
Insurance, licenses, dues and personal property taxes	21,328	24,641	—	24,641	45,969
Interest and bank fees	4,956	9,382	—	9,382	14,338
International assistance	437,536	—	—	—	437,536
Postage and stationery	4,252	2,559	—	2,559	6,811
Professional fees	80,680	34,804	—	34,804	115,484
Promotion and marketing	3,971	4,966	—	4,966	8,937
Repairs and maintenance	17,132	9,992	1,428	11,420	28,552
Staff recruiting and education	18,754	1,297	1,895	3,192	21,946
Supplies	373	14,332	—	14,332	14,705
Travel	60,023	14,544	—	14,544	74,567
Utilities	25,802	12,584	1,798	14,382	40,184
Volunteers' expenses	31,432	—	—	—	31,432
	\$ 3,018,066	\$ 423,302	\$ 51,788	\$ 475,090	\$ 3,493,156

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 CASH FLOWS

	For The Years Ended June 30,	
	2015	2014
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (1,113,916)	\$ 334,646
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation and amortization	80,428	70,802
Gain on involuntary conversion	(62,058)	(111,343)
Accretion of discount on note payable	—	3,273
Imputed interest on capital lease obligation	4,469	6,014
Realized gain on sale of investments	(160,867)	(378,753)
Unrealized (gain) loss on investments	122,422	(931,843)
Changes in assets and liabilities:		
Decrease in grant receivable	—	24,635
(Increase) decrease in pledges receivable	66,230	(50,000)
Decrease in due from affiliates	199,386	116,976
Increase in retirement plan assets (net)	(2,328)	(2,305)
Decrease in other assets	—	4,928
Increase (decrease) in accounts payable and accrued expenses	47,467	(33,717)
Decrease in due to affiliates	—	(10,000)
Decrease in refundable advance	(100,000)	—
Net Cash Used In Operating Activities	(918,767)	(956,687)
Cash Flows From Investing Activities		
Purchases of investments	(919,965)	(2,225,400)
Proceeds from sale of investments	2,194,278	3,341,507
Insurance proceeds received from involuntary conversion	62,058	153,183
Purchases of property and equipment	(155,210)	(203,242)
Net Cash Provided By Investing Activities	1,181,161	1,066,048
Cash Flows From Financing Activities		
Principal payments on capital lease obligation	(39,626)	(39,621)
Principal payments on note payable	—	(60,000)
Principal payments on bonds payable	(15,000)	(30,000)
Net Cash Used In Financing Activities	(54,626)	(129,621)
Net Increase (Decrease) In Cash And Cash Equivalents	207,768	(20,260)
Cash And Cash Equivalents - Beginning Of Year	95,847	116,107
Cash And Cash Equivalents - End Of Year	\$ 303,615	\$ 95,847
Supplemental Cash Flow Information		
Interest paid	\$ 206	\$ 6,166
Noncash investing and financing activities (Note 13)		

BOYS HOPE GIRLS HOPE

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 And 2014

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 of the assets and liabilities, as well as 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 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 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 receivable is provided based upon the Organization's estimate of amounts that will ultimately not be collected. The estimate is based on historical collection experience coupled with a review of the current status of existing pledges receivable. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. Management has determined that an allowance for uncollectible pledges receivable is not necessary as of June 30, 2015 or 2014.

Investments And Investments Restricted For Endowment

The Organization invests in various investment securities. Marketable investments are carried at market value as quoted on major securities exchanges. Investments for which quoted market prices are not available are carried at estimated realizable values as determined by the fund managers and are reviewed by management. Gains and losses on sales of investments are determined on a specific cost identification basis. Unrealized gains and losses are determined based on year-end fair value fluctuations.

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

Property And Equipment

Property and equipment are carried at cost, if purchased, or at fair value, if donated, less accumulated depreciation 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.

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 International Office provides a variety of services to affiliates: initial program start-up (establishing the board, zoning/legal issues, developing donor base, etc.); staff recruitment and training; transition service (oversight of program during periods of local management transition); centralized accounting, insurance, human resource management, donor management and information technology, and ongoing consultation regarding fundraising and programmatic issues.

The International Office provides direct services to graduates of the Organization through its college preparation, college support and alumni programs. This includes scholarships of up to \$3,000, per collegian per year.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements *(Continued)*

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.

The federal tax returns for tax years ended June 30, 2012 and later remain subject to examination by taxing authorities.

Subsequent Events

Management has evaluated subsequent events through November 4, 2015, the date which the financial statements were available for issue.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

2. Operations

The International 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.

The Organization's affiliates receive a variety of services: initial program start-up (establishing the board, resolving zoning/legal issues, developing donor base, etc.); staff recruitment and training; transition services (oversight of program during periods of local management transition); centralized accounting, insurance, human resource management, donor management and information technology; and ongoing consultation. With this support from the International Office, affiliate staff is able to focus on providing the highest possible quality of service to each scholar.

The International Office provides direct services to graduates of the Organization through its college preparation, college support and alumni programs. This includes scholarships of up to \$3,000, per collegian per year, matched by scholarships of \$2,000 from the local affiliates.

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

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

3. Pledges Receivable

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

	<u>2015</u>	<u>2014</u>
Less than one year	\$ 80,000	\$ 100,000
One to five years	—	50,000
	80,000	150,000
Less: Discount on pledges receivable	—	3,770
	<u>\$ 80,000</u>	<u>\$ 146,230</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:

	<u>2015</u>	<u>2014</u>
Cash equivalents	\$ 277,988	\$ 514,365
Certificates of deposit	549,889	545,532
Municipal bonds	808,549	888,994
Bond funds		
Emerging markets	240,512	293,343
Short-term	7,651	7,738
High yield	12,825	12,348
Multisector	27,446	27,208
Nontraditional	659,896	890,401
Equity funds		
Emerging markets	295,430	325,827
Foreign large-cap blend	749,561	767,897
Foreign large-cap growth	353,697	358,213
Foreign small/mid-cap blend	295,549	324,458
World allocation	35,946	36,112
Market neutral	158,604	218,739
Small-cap value	426,419	470,052
Small-cap growth	531,725	504,592
Mid-cap growth	483,945	483,714
Mid-cap blend	—	441,477
Large-cap value	674,301	655,250
Large-cap growth	740,509	686,500
Large-cap blend	9,098	8,756
Managed futures	762,962	814,880
Hedged strategies	1,565,742	1,662,036
Real estate	741,096	877,575
Equity securities		
Basic materials	124,680	175,334
Consumer goods	173,695	120,609
Financial	259,777	269,390
Industrial goods	68,472	116,583
Healthcare	234,424	192,104
Services	414,481	292,613
Technology	483,669	417,319
	<u>12,168,538</u>	<u>13,399,959</u>
Less: Retirement plan investments (Note 5)	219,412	214,965
Less: Investments restricted for endowment (Note 12)	8,343,044	8,343,044
	<u>\$ 3,606,082</u>	<u>\$ 4,841,950</u>

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

Investment income consists of:

	<u>2015</u>	<u>2014</u>
Interest and dividend income (net)	\$ 434,748	\$ 301,673
Realized gains	160,867	378,753
Unrealized gains (losses)	(122,422)	931,843
	<u>\$ 473,193</u>	<u>\$ 1,612,269</u>

In 2015 and 2014, interest and dividend income is net of investment fees of \$51,871 and \$52,298, 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, 2015			June 30, 2014		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Certificates of deposit	\$ —	\$ 549,889	\$ 549,889	\$ —	\$ 545,532	\$ 545,532
Municipal bonds	—	808,549	808,549	—	888,994	888,994
Bond funds						
Emerging markets	240,512	—	240,512	293,343	—	293,343
Short-term	7,651	—	7,651	7,738	—	7,738
High yield	12,825	—	12,825	12,348	—	12,348
Multisector	27,446	—	27,446	27,208	—	27,208
Nontraditional	659,896	—	659,896	890,401	—	890,401
Equity funds						
Emerging markets	295,430	—	295,430	325,827	—	325,827
Foreign large-cap blend	749,561	—	749,561	767,897	—	767,897
Foreign large-cap growth	353,697	—	353,697	358,213	—	358,213
Foreign small/mid-cap blend	295,549	—	295,549	324,458	—	324,458
World allocation	35,946	—	35,946	36,112	—	36,112
Market neutral	158,604	—	158,604	218,739	—	218,739
Small-cap value	426,419	—	426,419	470,052	—	470,052
Small-cap growth	531,725	—	531,725	504,592	—	504,592
Mid-cap growth	483,945	—	483,945	483,714	—	483,714
Mid-cap blend	—	—	—	441,477	—	441,477
Large-cap value	674,301	—	674,301	655,250	—	655,250
Large-cap growth	740,509	—	740,509	686,500	—	686,500
Large-cap blend	9,098	—	9,098	8,756	—	8,756
Managed futures	762,962	—	762,962	814,880	—	814,880
Hedged strategies	1,565,742	—	1,565,742	1,662,036	—	1,662,036
Real estate	741,096	—	741,096	877,575	—	877,575
Equity securities						
Basic materials	124,680	—	124,680	175,334	—	175,334
Consumer goods	173,695	—	173,695	120,609	—	120,609
Financial	259,777	—	259,777	269,390	—	269,390
Industrial goods	68,472	—	68,472	116,583	—	116,583
Healthcare	234,424	—	234,424	192,104	—	192,104
Services	414,481	—	414,481	292,613	—	292,613
Technology	483,669	—	483,669	417,319	—	417,319
	\$ 10,532,112	\$ 1,358,438	\$ 11,890,550	\$ 11,451,068	\$ 1,434,526	\$ 12,885,594

At June 30, 2015 and 2014, 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)

Municipal Bonds: Municipal bonds are valued using techniques consistent with the income statement approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads.

During 2015 and 2014, there were no changes in the methods and/or assumptions utilized to derive the fair value of the Organization's investments.

5. Retirement Plans

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 \$36,626 and \$34,584 in 2015 and 2014, 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, 2015 and 2014, the pension plan assets include:

	<u>2015</u>	<u>2014</u>
Investments (Note 4)	\$ 219,412	\$ 214,965
Cash surrender value of life insurance	68,505	66,176
	<u>\$ 287,917</u>	<u>\$ 281,141</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, 2015, 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
Irvine, 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 2015 and 2014, such assessments totaled \$335,620 and \$347,770, respectively. At June 30, 2015 and 2014, the Organization was due \$148,734 and \$348,120, 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, 2015 and 2014, the Organization did not owe any funds to its affiliates.

At June 30, 2015, the Kansas City affiliate had an outstanding balance of approximately \$97,000 on a \$200,000 line of credit that has been guaranteed by the Organization.

Members of the Board of Directors of the Organization contributed approximately \$566,000 and \$424,000 for the years ended June 30, 2015 and 2014, respectively.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

7. Property And Equipment

Property and equipment consist of:

	<u>2015</u>	<u>2014</u>
Building and improvements	\$ 1,181,944	\$ 1,096,217
Computer equipment	536,730	536,730
Computer equipment under capital leases (Note 10)	166,230	166,230
Furniture and equipment	193,018	193,018
	<u>2,077,922</u>	<u>1,992,195</u>
Less: Accumulated depreciation and amortization	<u>1,208,542</u>	<u>1,128,114</u>
	<u>\$ 869,380</u>	<u>\$ 864,081</u>

Depreciation and amortization charged to expense amounted to \$80,428 in 2015 and \$70,802 in 2014.

During 2013, a portion of the Organization's building was damaged in a storm, resulting in a loss from involuntary conversion in that year. Insurance proceeds were received in 2013, 2014, and 2015 as the damaged property was repaired. During 2014, additional damage related to the 2013 storm was identified. The net book value of the additional damaged property was \$41,840; however, insurance proceeds of \$153,183 were received in 2014, resulting in a gain from involuntary conversion of \$111,343. Additional insurance proceeds of \$62,058 were received in 2015, as the damaged property continued to be repaired.

8. Industrial Development Authority Bonds Payable

The bonds payable consist of the following:

	<u>2015</u>	<u>2014</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)	<u>\$ —</u>	<u>\$ 15,000</u>

Interest expense on the bonds during 2015 and 2014 totaled \$206 and \$1,027, respectively.

During 2015, the bonds payable matured and were repaid in full.

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

9. 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, 2015 or 2014. 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.

10. 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.

Following is a summary of equipment held under capital leases:

	<u>2015</u>	<u>2014</u>
Computer equipment	\$ 166,230	\$ 166,230
Less: Accumulated depreciation	(99,738)	(66,492)
	<u>\$ 66,492</u>	<u>\$ 99,738</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, 2015 were as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 33,973
2017	31,142
2018	5,662
Net minimum lease payments	<u>70,777</u>
Less: Amount representing interest	<u>3,970</u>
Present value of net minimum lease payments	<u>\$ 66,807</u>

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

11. Net Assets

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

	2015		2014	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
National Campaign and affiliate support	\$ 2,384,879	\$ —	\$ 2,646,692	\$ —
International	345,419	200,000	393,924	200,000
Jean T. McKenna National Scholarship	25,000	1,059,638	25,000	1,059,638
Other funded projects	696,752	—	699,612	—
Boys Hope Girls Hope Endowment Fund	673,758	7,083,406	914,365	7,083,406
	<u>\$ 4,125,808</u>	<u>\$ 8,343,044</u>	<u>\$ 4,679,593</u>	<u>\$ 8,343,044</u>

The net asset components are described as follows:

National Campaign And Affiliate Support - 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>2015</u>	<u>2014</u>
National Campaign and affiliate support	\$ 261,813	\$ 128,536
International	421,954	287,671
Jean T. McKenna National Scholarship	53,607	201,238
Other funded projects	177,860	143,679
	<u>\$ 915,234</u>	<u>\$ 761,124</u>

Investment return earned by the Organization's endowment funds (Note 12) was designated for current operations as follows:

	<u>2015</u>	<u>2014</u>
National Campaign and affiliate support	\$ 551,862	\$ 529,788
International	15,582	14,959
Jean T. McKenna National Scholarship	82,556	79,253
	<u>\$ 650,000</u>	<u>\$ 624,000</u>

12. 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:

	2015		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 793,576	\$ 8,343,044	\$ 9,136,620

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

BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

Changes In Endowment Assets For The Fiscal Years Ended June 30, 2015 And 2014:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets at July 1, 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
Investment income	366,607	—	366,607
Appropriation of endowment assets for expenditure	(650,000)	—	(650,000)
Endowment assets at June 30, 2015	\$ 793,576	\$ 8,343,044	\$ 9,136,620

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, 2015 or 2014.

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.

13. Supplemental Cash Flow Information

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