

---

---

**BOYS HOPE GIRLS HOPE**

*FINANCIAL STATEMENTS*

*JUNE 30, 2016*

---

---



**Boys Hope Girls Hope**

*Inspire. Empower. Nurture. Succeed.*

## **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 - 23

## 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, 2016 and 2015, 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, 2016 and 2015, 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 2, 2016

**BOYS HOPE GIRLS HOPE**

---

**STATEMENT OF FINANCIAL POSITION**

**Assets**

	<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>
Cash and cash equivalents	\$ 128,097	\$ 303,615
Pledges receivable (Note 3)	—	80,000
Investments (Note 4)	2,143,792	3,606,082
Retirement plan assets (Note 5)	280,578	287,917
Due from affiliates (Note 6)	192,809	148,734
Property and equipment (Notes 7 and 9)	792,665	869,380
Investments restricted for endowment (Notes 4 and 11)	8,343,044	8,343,044
<b>Total Assets</b>	<b>\$ 11,880,985</b>	<b>\$ 13,638,772</b>

**Liabilities And Net Assets**

**Liabilities**

Accounts payable and accrued expenses	\$ 317,956	\$ 299,094
Retirement plan liabilities (Note 5)	209,712	219,412
Capital lease obligations (Note 9)	32,834	66,807
<b>Total Liabilities</b>	<b>560,502</b>	<b>585,313</b>

**Net Assets**

Unrestricted	199,683	584,607
Temporarily restricted (Note 10)	2,777,756	4,125,808
Permanently restricted (Notes 10 and 11)	8,343,044	8,343,044
<b>Total Net Assets</b>	<b>11,320,483</b>	<b>13,053,459</b>

<b>Total Liabilities And Net Assets</b>	<b>\$ 11,880,985</b>	<b>\$ 13,638,772</b>
---	----------------------	----------------------

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

	For The Year Ended June 30, 2016				For The Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public Support And Revenues</b>								
Contributions	\$ 769,685	\$ 809,155	\$ —	\$ 1,578,840	\$ 620,159	\$ 644,842	\$ —	\$ 1,265,001
Government grants	191,579	—	—	191,579	234,891	—	—	234,891
Support from local affiliates (Note 6)	335,620	—	—	335,620	335,620	—	—	335,620
Investment income (loss) (Note 4)	(92,691)	(169,025)	—	(261,716)	106,586	366,607	—	473,193
Other income	3,829	—	—	3,829	8,477	—	—	8,477
Investment return designated for current operations (Notes 10 and 11)	613,000	(613,000)	—	—	650,000	(650,000)	—	—
Net assets released from restrictions (Note 10)	1,375,182	(1,375,182)	—	—	915,234	(915,234)	—	—
<b>Total Public Support And Revenues</b>	<b>3,196,204</b>	<b>(1,348,052)</b>	<b>—</b>	<b>1,848,152</b>	<b>2,870,967</b>	<b>(553,785)</b>	<b>—</b>	<b>2,317,182</b>
<b>Expenses</b>								
Program services	3,129,401	—	—	3,129,401	3,018,066	—	—	3,018,066
Supporting activities:								
Management and general	401,650	—	—	401,650	423,302	—	—	423,302
Fundraising	50,077	—	—	50,077	51,788	—	—	51,788
Total Supporting Activities	451,727	—	—	451,727	475,090	—	—	475,090
<b>Total Expenses</b>	<b>3,581,128</b>	<b>—</b>	<b>—</b>	<b>3,581,128</b>	<b>3,493,156</b>	<b>—</b>	<b>—</b>	<b>3,493,156</b>
<b>Decrease In Net Assets From Operations</b>	<b>(384,924)</b>	<b>(1,348,052)</b>	<b>—</b>	<b>(1,732,976)</b>	<b>(622,189)</b>	<b>(553,785)</b>	<b>—</b>	<b>(1,175,974)</b>
<b>Other Gains</b>								
Gain from involuntary conversion (Note 7)	—	—	—	—	62,058	—	—	62,058
<b>Decrease In Net Assets</b>	<b>(384,924)</b>	<b>(1,348,052)</b>	<b>—</b>	<b>(1,732,976)</b>	<b>(560,131)</b>	<b>(553,785)</b>	<b>—</b>	<b>(1,113,916)</b>
<b>Net Assets - Beginning Of Year</b>	<b>584,607</b>	<b>4,125,808</b>	<b>8,343,044</b>	<b>13,053,459</b>	<b>1,144,738</b>	<b>4,679,593</b>	<b>8,343,044</b>	<b>14,167,375</b>
<b>Net Assets - End Of Year</b>	<b>\$ 199,683</b>	<b>\$ 2,777,756</b>	<b>\$ 8,343,044</b>	<b>\$ 11,320,483</b>	<b>\$ 584,607</b>	<b>\$ 4,125,808</b>	<b>\$ 8,343,044</b>	<b>\$ 13,053,459</b>

## BOYS HOPE GIRLS HOPE

### STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended June 30, 2016

	Program Services	Supporting Activities			Total
		Management And General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$ 1,246,936	\$ 223,066	\$ 44,118	\$ 267,184	\$ 1,514,120
Program support and administration	404,146	8,484	—	8,484	412,630
Scholarship	424,696	—	—	—	424,696
Depreciation and amortization	48,770	28,449	4,064	32,513	81,283
Information technology	329,952	7,920	—	7,920	337,872
Insurance, licenses, dues and personal property taxes	15,521	12,868	—	12,868	28,389
Interest and bank fees	5,912	4,345	—	4,345	10,257
International assistance	459,745	—	—	—	459,745
Postage and stationery	712	2,498	—	2,498	3,210
Professional fees	87,339	34,409	—	34,409	121,748
Promotion and marketing	3,438	2,110	—	2,110	5,548
Repairs and maintenance	—	21,771	—	21,771	21,771
Staff recruiting and education	21,718	1,216	1,895	3,111	24,829
Supplies	5,814	9,586	—	9,586	15,400
Travel	47,772	8,566	—	8,566	56,338
Utilities	5,716	36,362	—	36,362	42,078
Volunteers' expenses	21,214	—	—	—	21,214
	\$ 3,129,401	\$ 401,650	\$ 50,077	\$ 451,727	\$ 3,581,128

## BOYS HOPE GIRLS HOPE

### STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2015

	Supporting Activities				Total
	Program Services	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
	<b>\$ 3,018,066</b>	<b>\$ 423,302</b>	<b>\$ 51,788</b>	<b>\$ 475,090</b>	<b>\$ 3,493,156</b>



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

	<b>For The Years</b>	
	<b>Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash Flows From Operating Activities</b>		
Decrease in net assets	\$ (1,732,976)	\$ (1,113,916)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation and amortization	81,283	80,428
Gain on involuntary conversion	—	(62,058)
Imputed interest on capital lease obligation	3,971	4,469
Realized gain on sale of investments	(26,437)	(160,867)
Unrealized loss on investments	645,198	122,422
Changes in assets and liabilities:		
Decrease in pledges receivable	80,000	66,230
(Increase) decrease in due from affiliates	(44,075)	199,386
Increase in retirement plan assets (net)	(2,361)	(2,328)
Increase in accounts payable and accrued expenses	18,862	47,467
Decrease in refundable advance	—	(100,000)
<b>Net Cash Used In Operating Activities</b>	<b>(976,535)</b>	<b>(918,767)</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of investments	(1,689,025)	(919,965)
Proceeds from sale of investments	2,532,554	2,194,278
Insurance proceeds received from involuntary conversion	—	62,058
Purchases of property and equipment	(4,568)	(155,210)
<b>Net Cash Provided By Investing Activities</b>	<b>838,961</b>	<b>1,181,161</b>
<b>Cash Flows From Financing Activities</b>		
Principal payments on capital lease obligation	(37,944)	(39,626)
Principal payments on bonds payable	—	(15,000)
<b>Net Cash Used In Financing Activities</b>	<b>(37,944)</b>	<b>(54,626)</b>
<b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	<b>(175,518)</b>	<b>207,768</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>303,615</b>	<b>95,847</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 128,097</b>	<b>\$ 303,615</b>
<b>Supplemental Cash Flow Information</b>		
Interest paid	\$ (3,971)	\$ 206

# **BOYS HOPE GIRLS HOPE**

---

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016 And 2015**

### **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.

#### **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 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 2015 and one grant expires in September 2018. 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, 2013 and later remain subject to examination by taxing authorities.

#### **Subsequent Events**

Management has evaluated subsequent events through November 2, 2016, the date which the financial statements were available for issue.

## **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.

## BOYS HOPE GIRLS HOPE

---

### Notes To Financial Statements (Continued)

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

At June 30, 2015, pledges receivable of \$80,000 are expected to be collected in the next year.

### 4. Investments

Investments are recorded at fair value and consist of:

	<u>2016</u>	<u>2015</u>
Cash equivalents	\$ 212,951	\$ 277,988
Certificates of deposit	814,755	549,889
Municipal bonds	844,993	808,549
Bond funds	483,943	948,330
Equity funds	6,637,287	7,824,584
Equity securities	1,702,619	1,759,198
	<u>10,696,548</u>	<u>12,168,538</u>
Less: Retirement plan investments (Note 5)	209,712	219,412
Less: Investments restricted for endowment (Note 11)	8,343,044	8,343,044
	<u>\$ 2,143,792</u>	<u>\$ 3,606,082</u>

## BOYS HOPE GIRLS HOPE

---

### Notes To Financial Statements (Continued)

Investment income (loss) consists of:

	<u>2016</u>	<u>2015</u>
Interest and dividend income (net)	\$ 357,045	\$ 434,748
Realized gains	26,437	160,867
Unrealized losses	(645,198)	(122,422)
	<u>\$ (261,716)</u>	<u>\$ 473,193</u>

In 2016 and 2015, interest and dividend income is net of investment fees of \$49,258 and \$51,871, 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, 2016			June 30, 2015		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Certificates of deposit	\$ —	\$ 814,755	\$ 814,755	\$ —	\$ 549,899	\$ 549,889
Municipal bonds	—	844,993	844,993	—	808,549	808,549
Bond funds						
Emerging markets	—	—	—	240,512	—	240,512
Short-term	7,603	—	7,603	7,651	—	7,651
High Yield	12,253	—	12,253	12,825	—	12,825
Multisector	26,267	—	26,267	27,446	—	27,446
Nontraditional	437,820	—	437,820	659,896	—	659,896
Equity funds						
Emerging markets	305,358	—	305,358	295,430	—	295,430
Foreign large-cap blend	638,505	—	638,505	749,561	—	749,561
Foreign large-cap growth	317,179	—	317,179	353,697	—	353,697
Foreign small/mid-cap blend	245,633	—	245,633	295,549	—	295,549
World allocation	33,328	—	33,328	35,946	—	35,946
Market neutral	131,997	—	131,997	158,604	—	158,604
Small-cap value	384,768	—	384,768	426,419	—	426,419
Small-cap growth	339,610	—	339,610	531,725	—	531,725
Mid-cap growth	416,142	—	416,142	483,945	—	483,945
Large-cap value	530,995	—	530,995	674,301	—	674,301
Large-cap growth	587,383	—	587,383	740,509	—	740,509
Large-cap blend	8,924	—	8,924	9,098	—	9,098
Managed futures	678,224	—	678,224	762,962	—	762,962
Hedged strategies	1,271,433	—	1,271,433	1,565,742	—	1,565,742
Real estate	747,808	—	747,808	741,096	—	741,096
Equity securities						
Basic materials	100,661	—	100,661	124,680	—	124,680
Consumer goods	441,484	—	441,484	173,695	—	173,695
Financial	171,965	—	171,965	259,777	—	259,777
Industrial goods	124,517	—	124,517	68,472	—	68,472
Healthcare	164,519	—	164,519	234,424	—	234,424
Services	378,153	—	378,153	414,481	—	414,481
Technology	321,320	—	321,320	483,669	—	483,669
	\$ 8,823,849	\$ 1,659,748	\$ 10,483,597	\$ 10,532,112	\$ 1,358,448	\$ 11,890,550

At June 30, 2016 and 2015, 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 2016 and 2015, 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 \$41,294 and \$36,626 in 2016 and 2015, 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, 2016 and 2015, the pension plan assets include:

	<u>2016</u>	<u>2015</u>
Investments (Note 4)	\$ 209,712	\$ 219,412
Cash surrender value of life insurance	70,866	68,505
	<u>\$ 280,578</u>	<u>\$ 287,917</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, 2016, 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 2016 and 2015, such assessments totaled \$335,620. At June 30, 2016 and 2015, the Organization was due \$192,809 and \$148,734, 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, 2016 and 2015, the Organization did not owe any funds to its affiliates.

At June 30, 2016 and 2015, the Kansas City affiliate had an outstanding balance of approximately \$107,000 and \$97,000, respectively, 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 \$551,000 and \$566,000 for the years ended June 30, 2016 and 2015, respectively.

## BOYS HOPE GIRLS HOPE

---

### Notes To Financial Statements (Continued)

#### 7. Property And Equipment

Property and equipment consist of:

	<u>2016</u>	<u>2015</u>
Building and improvements	\$ 1,182,244	\$ 1,181,944
Computer equipment	501,752	536,730
Computer equipment under capital leases (Note 9)	149,280	166,230
Furniture and equipment	104,554	193,018
	<u>1,937,830</u>	<u>2,077,922</u>
Less: Accumulated depreciation and amortization	1,145,165	1,208,542
	<u>\$ 792,665</u>	<u>\$ 869,380</u>

Depreciation and amortization charged to expense amounted to \$81,283 in 2016 and \$80,428 in 2015.

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. Additional insurance proceeds of \$62,058 were received in 2015, as the damaged property continued to be repaired.

#### 8. 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, 2016 or 2015. 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.

## BOYS HOPE GIRLS HOPE

---

### Notes To Financial Statements (Continued)

#### 9. Capital Leases

The Organization is the lessee of computer equipment under a capital lease expiring in August 2017 and was the lessee under a capital lease that expired in July 2016. Assets under the capital lease that expired during 2016 were purchased by the Organization. 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>2016</u>	<u>2015</u>
Computer equipment	\$ 149,280	\$ 166,230
Less: Accumulated depreciation	(119,424)	(99,738)
	<u>\$ 29,856</u>	<u>\$ 66,492</u>

The interest rate on the capitalized lease 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, 2016 were as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 31,142
2018	5,662
Net minimum lease payments	36,804
Less: Amount representing interest	3,970
Present value of net minimum lease payments	<u>\$ 32,834</u>

## BOYS HOPE GIRLS HOPE

Notes To Financial Statements (Continued)

### 10. Net Assets

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

	2016		2015	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
National Campaign and affiliate support	\$ 1,892,618	\$ —	\$ 2,384,879	\$ —
International	255,190	200,000	345,419	200,000
Jean T. McKenna National Scholarship	25,000	1,059,638	25,000	1,059,638
Other funded projects	595,145	—	696,752	—
Boys Hope Girls Hope Endowment Fund	9,803	7,083,406	673,758	7,083,406
	<u>\$ 2,777,756</u>	<u>\$ 8,343,044</u>	<u>\$ 4,125,808</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>2016</u>	<u>2015</u>
National Campaign and affiliate support	\$ 492,261	\$ 261,813
International	445,050	421,954
Jean T. McKenna National Scholarship	211,502	53,607
Other funded projects	226,369	177,860
	<u>\$ 1,375,182</u>	<u>\$ 915,234</u>

Investment return earned by the Organization's endowment funds (Note 11) was designated for current operations as follows:

	<u>2016</u>	<u>2015</u>
National Campaign and affiliate support	\$ 520,449	\$ 551,862
International	14,695	15,582
Jean T. McKenna National Scholarship	77,856	82,556
	<u>\$ 613,000</u>	<u>\$ 650,000</u>

## 11. 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, 2016 and 2015, the Organization had the following endowment funds:

	2016		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 11,551	\$ 8,343,044	\$ 8,354,595

  

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

## BOYS HOPE GIRLS HOPE

---

### Notes To Financial Statements (Continued)

#### Changes In Endowment Assets For The Fiscal Years Ended June 30, 2016 And 2015:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets at July 1, 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
Investment loss	(169,025)	—	(169,025)
Appropriation of endowment assets for expenditure	(613,000)	—	(613,000)
Endowment assets at June 30, 2016	\$ 11,551	\$ 8,343,044	\$ 8,354,595

#### 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, 2016 or 2015.

#### 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.