
**BOYS HOPE GIRLS HOPE
OF ILLINOIS, INC.**
*FINANCIAL STATEMENTS
JUNE 30, 2021*



Contents

	Page
Independent Auditors' Report	1 - 2
 Financial Statements	
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 - 25



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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

Independent Auditors' Report

Board of Directors
Boys Hope Girls Hope of Illinois, Inc.
Chicago, Illinois

Report On The Financial Statements

We have audited the accompanying financial statements of Boys Hope Girls Hope of Illinois, Inc., a not-for-profit organization, which comprise the statement of financial position as of June 30, 2021 and 2020, 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 of Illinois, Inc. as of June 30, 2021 and 2020, 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

December 16, 2021

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

STATEMENT OF FINANCIAL POSITION

Assets

	June 30,	
	2021	2020
Cash and cash equivalents	\$ 409,839	\$ 376,021
Investments (Note 5)	282,644	227,977
Promises to give (Note 4)	23,500	20,670
Investments - Board-designated endowment (Notes 5 and 10)	5,737,004	5,210,987
Prepaid expenses	25,727	26,353
Other current assets (Note 6)	40,861	25,000
Property and equipment (Note 6)	1,259,230	352,897
Investments restricted for endowment (Notes 5 and 10)	463,857	463,857
Total Assets	\$ 8,242,662	\$ 6,703,762

Liabilities And Net Assets

Liabilities

Accounts payable and accrued expenses (Note 12)	\$ 132,265	\$ 117,948
Paycheck Protection Program loan (Note 14)	195,145	171,475
Deferred income and refundable advances	23,000	500
Total Liabilities	350,410	289,923

Net Assets

Without donor restrictions		
Invested in property and equipment	1,259,230	352,897
Board-designated endowment (Notes 5 and 10)	5,737,004	5,210,987
Available for operations	266,124	303,696
Total net assets without donor restrictions	7,262,358	5,867,580
With donor restrictions (Notes 8 and 10)	629,894	546,259
Total Net Assets	7,892,252	6,413,839
Total Liabilities And Net Assets	\$ 8,242,662	\$ 6,703,762

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

STATEMENT OF ACTIVITIES For The Years Ended June 30, 2021 And 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support And Revenues						
Contributions (Note 12)	\$ 615,160	\$ 229,645	\$ 844,805	\$ 660,373	\$ 138,949	\$ 799,322
Special events	702,888	—	702,888	780,282	—	780,282
Less: Costs of direct benefits to donors	(133,842)	—	(133,842)	(240,282)	—	(240,282)
Donated tuition scholarships (Note 13)	272,941	—	272,941	231,920	—	231,920
Donated property and services (Note 13)	28,195	—	28,195	54,205	—	54,205
Investment income designated for current operations (Notes 5 and 10)	1,045,206	126,450	1,171,656	226,947	57,866	284,813
Other income	21,390	—	21,390	11,443	—	11,443
Net assets appropriated for expenditure (Note 10)	126,450	(126,450)	—	57,866	(57,866)	—
Net assets released from restrictions (Note 8)	146,010	(146,010)	—	108,060	(108,060)	—
Total Public Support And Revenues	2,824,398	83,635	2,908,033	1,890,814	30,889	1,921,703
Expenses						
Program services	1,621,412	—	1,621,412	1,548,719	—	1,548,719
Supporting activities:						
Management and general	206,910	—	206,910	178,297	—	178,297
Fundraising	330,802	—	330,802	248,559	—	248,559
Total Supporting Activities	537,712	—	537,712	426,856	—	426,856
Total Expenses	2,159,124	—	2,159,124	1,975,575	—	1,975,575
Increase (Decrease) In Net Assets From Operations	665,274	83,635	748,909	(84,761)	30,889	(53,872)
Other Income And Gains						
Investment income greater than amount designated for current operations (Note 5)	519,447	—	519,447	423,115	—	423,115
Gain on sale of property and equipment	3,000	—	3,000	—	—	—
Gain on involuntary conversion (Note 6)	35,582	—	35,582	—	—	—
Gain on extinguishment of Paycheck Protection Program Loan (Note 14)	171,475	—	171,475	—	—	—
Total Other Income And Gains	729,504	—	729,504	423,115	—	423,115
Increase In Net Assets	1,394,778	83,635	1,478,413	338,354	30,889	369,243
Net Assets - Beginning Of Year	5,867,580	546,259	6,413,839	5,529,226	515,370	6,044,596
Net Assets - End Of Year	\$ 7,262,358	\$ 629,894	\$ 7,892,252	\$ 5,867,580	\$ 546,259	\$ 6,413,839

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2021

	Program Services	Supporting Activities			Total
		Management And General	Fundraising	Total	
Direct Costs					
Living and education (Note 13)	\$ 603,715	\$ —	\$ —	\$ —	\$ 603,715
Occupancy	101,188	—	—	—	101,188
Supplies	6,269	—	—	—	6,269
Training and development	16,108	—	—	—	16,108
Transportation	24,756	—	—	—	24,756
Allocated Costs					
Bank and credit card fees	—	1,978	2,417	4,395	4,395
Computer services	3,083	3,083	4,111	7,194	10,277
Depreciation	80,888	2,200	—	2,200	83,088
Development	—	—	4,696	4,696	4,696
Insurance	6,863	3,432	3,432	6,864	13,727
Loss on uncollectible promises to give	—	7,363	—	7,363	7,363
Newsletter	2,484	2,485	4,969	7,454	9,938
Office supplies	1,027	1,883	513	2,396	3,423
Other	—	1,138	1,083	2,221	2,221
Payments to affiliated organization (Note 12)	21,764	9,069	5,441	14,510	36,274
Postage and shipping	986	1,971	986	2,957	3,943
Printing and stationery	168	84	587	671	839
Professional fees	13,206	17,632	46,987	64,619	77,825
Salaries and wages	624,064	119,304	218,724	338,028	962,092
Taxes and benefits	114,741	35,254	36,822	72,076	186,817
Telephone	102	34	34	68	170
	\$ 1,621,412	\$ 206,910	\$ 330,802	\$ 537,712	\$ 2,159,124

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2020**

	Program Services	Supporting Activities			Total
		Management And General	Fundraising	Total	
Direct Costs					
Living and education (Note 13)	\$ 625,138	\$ —	\$ —	\$ —	\$ 625,138
Occupancy	123,007	—	—	—	123,007
Supplies	7,468	—	—	—	7,468
Training and development	11,211	—	—	—	11,211
Transportation	31,762	—	—	—	31,762
Allocated Costs					
Bank and credit card fees	—	2,188	2,675	4,863	4,863
Computer services	6,210	6,210	8,280	14,490	20,700
Depreciation	49,953	1,667	—	1,667	51,620
Development	—	—	5,284	5,284	5,284
Insurance	6,057	3,029	3,029	6,058	12,115
Loss on uncollectible promises to give	—	4,500	—	4,500	4,500
Newsletter	1,466	1,466	2,931	4,397	5,863
Office supplies	789	6,828	5,777	12,605	13,394
Other	—	1,539	1,166	2,705	2,705
Payments to affiliated organization (Note 12)	17,356	7,232	4,339	11,571	28,927
Postage and shipping	140	280	139	419	559
Printing and stationery	445	223	1,557	1,780	2,225
Professional fees	24,010	12,900	—	12,900	36,910
Salaries and wages	541,078	98,368	180,342	278,710	819,788
Taxes and benefits	101,394	31,549	33,004	64,553	165,947
Telephone	108	36	36	72	180
Travel	1,127	282	—	282	1,409
	\$ 1,548,719	\$ 178,297	\$ 248,559	\$ 426,856	\$ 1,975,575

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

STATEMENT OF CASH FLOWS

	For The Years Ended June 30,	
	2021	2020
Cash Flows From Operating Activities		
Increase in net assets	\$ 1,478,413	\$ 369,243
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	83,088	51,620
Unrealized gains on investments	(849,702)	(438,675)
Realized gains on sale of investments	(791,981)	(190,802)
Gain on involuntary conversion	(35,582)	—
Donated property and equipment	(27,300)	(10,000)
Gain on sale of property and equipment	(3,000)	—
Gain on extinguishment of Paycheck Protection Program loan	(171,475)	—
Changes in assets and liabilities:		
Promises to give	(2,830)	2,230
Prepaid expenses	626	8,524
Other current assets	25,000	(25,000)
Accounts payable and accrued expenses	14,317	2,128
Deferred income	22,500	(3,300)
Net Cash Used In Operating Activities	(257,926)	(234,032)
Cash Flows From Investing Activities		
Purchases of investments	(1,069,820)	(1,901,733)
Proceeds from sale of investments	2,241,624	2,115,206
Proceeds from sale of property and equipment	3,000	—
Purchases of property and equipment	(967,400)	—
Net Cash Provided By Investing Activities	207,404	213,473
Cash Flows Provided By Financing Activities		
Proceeds from Paycheck Protection Program loan	195,145	171,475
Net Increase In Cash And Cash Equivalents	144,623	150,916
Cash And Cash Equivalents - Beginning Of Year	589,644	438,728
Cash And Cash Equivalents - End Of Year	\$ 734,267	\$ 589,644
Cash And Cash Equivalents Consist Of:		
Cash and cash equivalents per statement of financial position	\$ 409,839	\$ 376,021
Cash equivalents included in investments (Note 5)	324,428	213,623
Cash And Cash Equivalents - End Of Year	\$ 734,267	\$ 589,644
Supplemental Disclosure Of Cash Flow Information		
Insurance proceeds received on involuntary conversion included in other current assets	\$ 40,861	\$ —

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 And 2020

1. Summary Of Significant Accounting Policies

Basis Of Accounting

The financial statements of Boys Hope Girls Hope of Illinois, Inc. (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 (FASB) 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 classes of net assets:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the Board of Directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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 those estimates.

Operating And Nonoperating Activity

Operating results in the statement of activities reflect all transactions except investment income greater than amount designated for current operations, gain on sale of property and equipment, gain on involuntary conversion and the gain on extinguishment of debt.

New Accounting Pronouncement

Effective July 1, 2020, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which clarifies the principles for recognizing revenue and develops a common revenue standard. ASU 2014-09 requires new disclosures about contracts with customers, significant judgements in determining the satisfaction of performance obligations in contracts, and assets recognized from costs to obtain or fulfill contracts. The implementation did not have a material impact on the Organizations' financial statements.

Cash And Cash Equivalents

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

The Organization invests its cash with financial institutions with strong credit ratings. At times, these balances may exceed the limits of insurance provided by the Federal Deposit Insurance Corporation of up to \$250,000, per financial institution.

Promises To Give

Unconditional promises to give are recognized as support in the period in which the promises are received. Conditional promises to give, that is, those with a measurable performance or other barrier, are not recognized as support until the conditions upon which they depend are met. Promises to give are reported at the amount management expects to collect on balances outstanding at year end.

An allowance for uncollectible promises to give 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 promises to give. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual promises to give. 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 promises to give. No allowance for potentially uncollectible amounts was considered necessary at June 30, 2021 or 2020.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (*Continued*)

Investments And Investments Designated/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

The Organization capitalizes all expenditures for property and equipment in excess of \$2,500. Property and equipment are carried at cost, if purchased, or at fair value, if donated, less accumulated depreciation computed using the straight-line method. The assets are depreciated over the following periods:

Buildings and improvements	5 - 30 years
Computer equipment	3 - 5 years
Furniture and equipment	5 years
Vehicles	3 - 5 years

Paycheck Protection Program Loan

The Organization has a loan that is part of the Paycheck Protection Program (PPP) established under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and administered by the U.S. Small Business Administration (SBA). In accordance with the requirements of the CARES Act, The Organization expects to use the proceeds from the loan exclusively for qualified expenses under the PPP, including payroll costs, mortgage interest, rent and utility costs, as further detailed in the CARES Act and applicable guidance issued by the SBA. The Organization considers the PPP loan to be debt, subject to the provisions of FASB Accounting Standards Codification (ASC) 470, *Debt*. The Organization will not impute additional interest at a market rate as transactions where interest rates are prescribed by governmental agencies are not subject to the accounting guidance on imputing interest.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (*Continued*)

The loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the debtor has been legally released or (2) the debtor pays off the loan to the creditor. Once the loan is, in part or wholly, forgiven and legal release is received, the Organization will reduce the liability by the amount forgiven and record a gain on extinguishment.

The Organization applied for and received forgiveness of all principal and interest for the PPP loan received in April 2020 and intends to apply for forgiveness of all principal and interest for the PPP loan received in January 2021, in an amount equal to the sum of qualified expenses under the PPP. Notwithstanding the Organization's expected eligibility for forgiveness, no assurance can be given that the Organization will obtain forgiveness of all or any portion of amounts due.

Public Support And Revenues

The Organization reports gifts of cash and other assets as net assets without donor restrictions or net assets with donor restrictions, 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Organization has adopted the policy of reporting net assets released from restrictions upon completion of the donor purpose restriction, regardless of whether the related cash has been received.

Special Events

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. Amounts received in advance of the event are recorded as deferred revenue (for the fair value of direct benefits to donors) or refundable advances (for contribution income).

Donated Property And Equipment, Materials And Services

As described in Note 13, various property and equipment, materials and services are donated to the Organization. Donated property and equipment, materials and those donated services that meet the criteria for recognition under generally accepted accounting principles are recorded at fair value at the date of the donation. A substantial number of volunteers have donated significant amounts of time to the Organization in various capacities. However, these services have not been recorded because they do not meet the criteria for recognition under accounting standards.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

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 expenses relating to living and education assistance for the boys and girls.

The Organization's program services and expenses include discounted tuition for scholars at private schools all year long (including summer school); counseling and therapy; books, uniforms, home computers and other educational supplies; transportation; the cost of maintaining three homes including food, home maintenance and repair, and staff in the homes; tuition assistance for our college scholars; and medicine and hygienic supplies for our scholars.

Management And General

Includes expenses relating to the direction for the overall affairs of the program, including accounting, personnel and administrative services.

Fundraising

Provides the requested assistance to encourage and secure private financial support from corporations, foundations and individuals through various fundraising and special events.

Expense Allocation

Expenses are allocated to program services and supporting activities based on the time spent by employees performing each function during the year. 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 files a consolidated tax return with Boys Hope Girls Hope (National). Each U.S. affiliate is separately incorporated in its respective state, but is covered by a group 501(c)(3) exemption. National 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 consolidated federal tax returns for tax years ended June 30, 2018 and later remain subject to examination by taxing authorities.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available for issue, which is the date of the Independent Auditors' Report.

2. Operations

The Organization is a charitable organization formed in Illinois to give disadvantaged boys and girls the opportunity to gain a quality education while living in a residential setting. The Organization's mission statement is as follows: "Boys Hope Girls Hope helps academically capable and motivated children-in-need to meet their full potential and become men and women for others by providing value-centered, family-like homes, opportunities and education through college."

The Organization's primary sources of revenue are contributions and special events.

3. Available Resources And Liquidity

As of June 30, 2021 and 2020, the Organization has the following financial assets that could readily be made available within one year of the statement of financial position date to meet general expenditures:

	<u>2021</u>	<u>2020</u>
Financial Assets		
Cash and cash equivalents	\$ 409,839	\$ 376,021
Promises to give	23,500	20,670
Investments	6,483,505	5,902,821
Total Financial Assets	<u>6,916,844</u>	<u>6,299,512</u>
Less Amounts Not Available To Be Used Within One Year		
Board-designated endowment	5,737,004	5,210,987
Net assets with donor restrictions	629,894	546,259
Total Financial Assets Not Available To Be Used Within One Year	<u>6,366,898</u>	<u>5,757,246</u>
Financial Assets Available To Meet Cash Needs For General Expenditures Within One Year	<u>\$ 549,946</u>	<u>\$ 542,266</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, board-designated endowment funds, and an available line of credit.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

4. Promises To Give

Promises to give consist of the following:

	<u>2021</u>	<u>2020</u>
Dinner fundraiser	\$ 10,000	\$ 13,170
Breakfast fundraiser	1,500	2,500
Operations	12,000	5,000
	<u>\$ 23,500</u>	<u>\$ 20,670</u>

Promises to give are collectible in:

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 23,500	\$ 18,170
One to five years	—	2,500
	<u>\$ 23,500</u>	<u>\$ 20,670</u>

5. Investments

Investments consist of:

	<u>2021</u>	<u>2020</u>
Cash equivalents	\$ 324,428	\$ 213,623
Mutual funds	709,801	660,549
Equities	4,480,896	3,676,967
Corporate bonds	968,380	1,351,682
	<u>\$ 6,483,505</u>	<u>\$ 5,902,821</u>

Investments are reported in the statement of financial position as follows:

	<u>2021</u>	<u>2020</u>
Investments	\$ 282,644	\$ 227,977
Investments - Board-designated endowment (Note 10)	5,737,004	5,210,987
Donor-restricted endowment principal (Note 10)	463,857	463,857
	<u>\$ 6,483,505</u>	<u>\$ 5,902,821</u>

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

Investment income consists of:

	<u>2021</u>	<u>2020</u>
Interest and dividends, net of fees	\$ 49,420	\$ 78,451
Realized gains	791,981	190,802
Unrealized gains	849,702	438,675
	<u>\$ 1,691,103</u>	<u>\$ 707,928</u>

Investment income is reported net of investment fees of \$37,464 and \$33,074 for 2021 and 2020, respectively.

The amount reported as investment income designated for current operations is based on the amount budgeted for operations from earnings on the Board-designated and donor-restricted endowment funds (Note 10). From time to time, the budget may exceed the actual investment return.

6. Property And Equipment

Property and equipment consist of:

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 2,625,122	\$ 1,691,269
Computer equipment	51,432	51,432
Furniture and equipment	184,225	181,225
Vehicles	119,750	155,635
	<u>2,980,529</u>	<u>2,079,561</u>
Accumulated depreciation	<u>(1,721,299)</u>	<u>(1,726,664)</u>
	<u>\$ 1,259,230</u>	<u>\$ 352,897</u>

During August 2020, to allow the Organization to continue to expand its programming and serve more youth, the Organization purchased an additional home in Evanston, Illinois for \$960,000. At June 30, 2020, the Organization had made a \$25,000 deposit towards this purchase, which was included in other current assets on the statement of financial position. This home purchase was funded through a distribution from the Organization's Board-designated endowment.

During 2021, a portion of the Organization's buildings were damaged in a storm, resulting in the recognition of a gain from involuntary conversion as well as an impairment of previously capitalized building costs. During 2021, insurance proceeds of \$40,861 were awarded, resulting in a gain on involuntary conversion of \$35,582. The entirety of these proceeds have yet to be received as of June 30, 2021 and are included in other current assets on the statement of financial position.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

7. Line Of Credit

The Organization has a business line of credit with a maximum draw of \$300,000, which matures on May 26, 2026. The agreement is secured by real property. The line of credit bears interest at the Prime Rate minus 0.75% (3.25% at June 30, 2021) and is payable monthly. No balance was outstanding at June 30, 2021 or 2020.

8. Net Assets With Donor Restrictions

Net assets include the following donor restrictions:

	<u>2021</u>	<u>2020</u>
College aid	\$ 127,388	\$ 41,542
Scholarships	1,250	1,000
Boys and girls home expenses	3,091	7,147
Time restriction	23,500	13,170
Other	10,808	19,543
Time and purpose restrictions	166,037	82,402
Donor-restricted endowment (Note 10)	463,857	463,857
	\$ 629,894	\$ 546,259

Net assets were released from donor restrictions as follows:

	<u>2021</u>	<u>2020</u>
College aid	\$ 96,730	\$ 75,186
Scholarships	14,750	11,000
Boys and girls home expenses	4,055	102
Time restriction	13,170	8,000
Other	17,305	13,772
	\$ 146,010	\$ 108,060

9. Fair Value Measurements

The Organization accounts for certain assets 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.

Assets 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 OF ILLINOIS, INC.Notes To Financial Statements (*Continued*)

The following were the major categories of assets measured at fair value on a recurring basis:

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 324,428	\$ —	\$ —	\$ 324,428
Mutual funds				
Foreign large growth	261,458	—	—	261,458
Diversified emerging markets	281,009	—	—	281,009
Ultrashort bond	25,064	—	—	25,064
High yield bond	100,714	—	—	100,714
Intermediate core bond	13,876	—	—	13,876
Large-cap value	13,300	—	—	13,300
Large-cap growth	14,380	—	—	14,380
Equities				
Consumer goods	709,991	—	—	709,991
Financial	408,216	—	—	408,216
Healthcare	964,781	—	—	964,781
Industrial goods	409,652	—	—	409,652
Services	597,439	—	—	597,439
Technology	1,293,087	—	—	1,293,087
Real estate	97,730	—	—	97,730
Corporate bonds				
Consumer goods	—	206,680	—	206,680
Financial	—	260,692	—	260,692
Healthcare	—	241,120	—	241,120
Industrial goods	—	153,833	—	153,833
Technology	—	106,055	—	106,055
	\$ 5,515,125	\$ 968,380	\$ —	\$ 6,483,505

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 213,623	\$ —	\$ —	\$ 213,623
Mutual funds				
Foreign large growth	396,575	—	—	396,575
Diversified emerging markets	239,148	—	—	239,148
Ultrashort bond	24,826	—	—	24,826
Equities				
Consumer goods	569,281	—	—	569,281
Financial	391,697	—	—	391,697
Healthcare	858,170	—	—	858,170
Industrial goods	302,596	—	—	302,596
Services	480,360	—	—	480,360
Technology	1,074,863	—	—	1,074,863
Corporate bonds				
Consumer goods	—	207,268	—	207,268
Financial	—	421,650	—	421,650
Healthcare	—	245,172	—	245,172
Industrial goods	—	154,772	—	154,772
Technology	—	322,820	—	322,820
	\$ 4,551,139	\$ 1,351,682	\$ —	\$ 5,902,821

At June 30, 2021 and 2020, the Level 2 assets utilize the following valuation techniques and inputs:

Corporate Bonds: The fair value of investments in corporate bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker-dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options.

During 2021 and 2020, there were no changes in the methods and/or assumptions utilized to derive the fair value of the Organization's investments.

10. Endowment Funds

The Organization's endowment consists of three donor-restricted funds for the benefit and support of the Organization's scholars and a Board-designated endowment for the general operating support of the Organization. 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.

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 to the donor-restricted endowment funds as of the gift date, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as endowment with donor restrictions (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that is not classified in investments in perpetuity is classified as unappropriated endowment earnings until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

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, 2021 and 2020, the Organization had the following endowment funds:

	2021			
	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Endowment Earnings	Investments In Perpetuity	
Board-designated endowment	\$ 5,737,004	\$ —	\$ —	\$ 5,737,004
Donor-restricted endowment funds	—	—	463,857	463,857
	\$ 5,737,004	\$ —	\$ 463,857	\$ 6,200,861

	2020			
	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Endowment Earnings	Investments In Perpetuity	
Board-designated endowment	\$ 5,210,987	\$ —	\$ —	\$ 5,210,987
Donor-restricted endowment funds	—	—	463,857	463,857
	\$ 5,210,987	\$ —	\$ 463,857	\$ 5,674,844

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

Changes In Endowment Assets For The Fiscal Years Ended June 30, 2021 And 2020:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Endowment Earnings	Investments In Perpetuity	
Endowment assets at July 1, 2019	\$ 4,790,681	\$ —	\$ 463,857	\$ 5,254,538
Total investment income	647,253	57,866	—	705,119
Appropriation of endowment assets for expenditure	(226,947)	(57,866)	—	(284,813)
Endowment assets at June 30, 2020	5,210,987	—	463,857	5,674,844
Transfer to board-designated endowment	7,231	—	—	7,231
Total investment income	1,563,992	126,450	—	1,690,442
Appropriation of endowment assets for expenditure	(1,045,206)	(126,450)	—	(1,171,656)
Endowment assets at June 30, 2021	\$ 5,737,004	\$ —	\$ 463,857	\$ 6,200,861

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 net assets with donor restrictions. There were no such deficiencies as of June 30, 2021 or 2020.

If the fair value of a donor-restricted endowment fund fell below the amount to be held in perpetuity, the Board of Directors shall determine the appropriate distribution, if any, to be taken from the fund.

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 and board-designated endowment assets which can be utilized at the Board's direction. 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% 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 fair value at March 31 prior to the beginning of 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% 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.

11. Retirement Plan

The Organization offers a 401(k) plan to eligible employees. The plan provides for discretionary employer contributions of up to 3% of eligible compensation and a mandatory match of 100% of the first 3% of eligible employee contributions. Total contributions by the Organization amounted to \$11,073 and \$12,340 in 2021 and 2020, respectively.

12. Related Parties And Affiliates

The Organization has entered into a cooperative agreement with National. This agreement, among other things, provides for support of National Boys Hope Girls Hope, in a fixed amount, for funding of new programs worldwide, college aid, and for National to perform certain administrative services. Support paid under this agreement was \$36,274 and \$28,927 in 2021 and 2020, respectively. At June 30, 2021, \$1,000 remains payable and is included in accounts payable and accrued expenses on the statement of financial position. No amounts were payable at June 30, 2020.

For the years ended June 30, 2021 and 2020, the Organization received contributions of \$50,496 and \$46,430, respectively, from various members of the Board of Directors.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (*Continued*)

13. Gifts-In-Kind

The Organization received donated tuition scholarships amounting to \$272,941 and \$231,920 during 2021 and 2020, respectively. These amounts are included in living and education costs in the statement of functional expenses.

The Organization received the following donated property and equipment, materials, and services:

	<u>2021</u>	<u>2020</u>
Property and equipment	\$ 27,300	\$ 10,000
Materials	895	24,330
Services	—	19,875
	<u>\$ 28,195</u>	<u>\$ 54,205</u>

These amounts are included in donated property and services on the statement of activities and the materials and services are included in living and education costs on the statement of functional expenses.

14. Paycheck Protection Program Loan

In April 2020, the Organization entered into a Paycheck Protection Program loan in the amount of \$171,475 with a local bank. This loan was issued pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act's Paycheck Protection Program and is unsecured. Amounts outstanding under this loan bore interest at a rate of 1%. During the period beginning April 2020 and ending ten months after the loan's covered period (the deferral period), interest on the outstanding principal balance accrued, but neither principal nor interest were due or payable. At the end of the deferral period, the outstanding principal that was not forgiven under the Paycheck Protection Program would convert to a term loan (the conversion balance) with monthly payments of principal and interest due until the loan's maturity in April 2022. The Organization applied to the Small Business Administration (SBA) for forgiveness of the amount due on the loan in an amount based on the sum of the following costs incurred by the Organization during the eight-week or twenty four-week period beginning on the date of the first disbursement of the loan: payroll costs, payments of interest on a covered mortgage obligation, covered rent obligations, and covered utilities. In November 2020, the Organization received notification from the bank that the SBA had forgiven the outstanding balance of the loan. Therefore, the Organization has recognized \$171,475 as a gain on extinguishment of debt for the year ending June 30, 2021.

In January 2021, the Organization entered into a second Paycheck Protection Program loan and received proceeds in the amount of \$195,145. Amounts outstanding under this loan will bear interest at a rate of 1%. During the period beginning January 2021 and ending on either (a) the date any forgiven amount of the loan is remitted by the SBA to the bank, or (b) the date on which the SBA notifies the bank that a final determination has been made that no portion of the loan will be forgiven (the deferral period), interest on the outstanding principal balance will accrue, but neither principal nor interest shall be due or payable. At the end of the deferral period, the outstanding principal that is not forgiven under the Paycheck Protection Program will convert to a term loan (the conversion balance).

The first payment on the term loan is due on the 15th day of the month following the month in which the deferral period expires, at which point any accrued interest not forgiven under the Paycheck Protection Program is due and payable. Additionally, on the first payment date and each month thereafter until the 5th anniversary of the date of the loan, equal monthly installments of principal shall be due and payable in an amount sufficient to fully amortize the conversion balance over the remaining term. Interest shall be payable at the same times as the monthly principal payments.

The Organization can apply to the bank for forgiveness of the amount due on the loan in an amount based on the sum of the following costs incurred by the Organization during the eight-week or twenty four-week period beginning on the date of the first disbursement of the loan: payroll costs, payments of interest on a covered mortgage obligation, covered rent obligations, and covered utilities.

The Organization has recorded the loan as debt in the statement of financial position, until the loan, or a portion of the loan, is forgiven. The portion of the loan that is forgiven by the bank will be recognized as income in the period in which it is forgiven.

15. Risks And Uncertainties

In January 2020, a novel strain of coronavirus (COVID-19) spread through China as well as other countries worldwide including the United States. In March 2020, the World Health Organization characterized COVID-19 as a pandemic, and the President declared the COVID-19 outbreak in the United States as a national emergency. In compliance with government mandates, since March 2020, the Organization has had to modify its operations and programming, which could affect the Organization's support and revenue. The continued outbreak of the COVID-19 virus is also likely to have a further negative impact in 2022 on the economy, which in the future, might impact the Organization's ability to fundraise. All of these factors could have a significant impact on the Organization's financial results in 2022 and beyond.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (*Continued*)

While the COVID-19 pandemic has impacted all not-for-profit organizations, the Organization remains committed to its mission and continues to move forward in supporting its scholars in all facets of its program. The Organization has been serving scholars for forty years and has grown a deep and committed donor base during this time; their support is anticipated to continue to sustain the Organization. The Organization plans to remain flexible and nimble throughout the pandemic and has already pivoted its fundraising efforts so that the Organization's revenue streams remain robust.

Given the dynamic nature of this outbreak, the extent to which the COVID-19 virus will impact the Organization's results will depend on future developments, which remain highly uncertain and cannot be predicted at this time.