
**BOYS HOPE GIRLS HOPE
OF ILLINOIS, INC.**
FINANCIAL STATEMENTS
JUNE 30, 2019



Boys Hope Girls Hope of Illinois

Inspire. Empower. Nurture. Succeed.

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 - 23



RubinBrown LLP
Certified Public Accountants &
Business Consultants

One North Brentwood
Saint Louis, MO 63105

T 314.290.3300
F 314.290.3400

W rubinbrown.com
E info@rubinbrown.com

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, 2019 and 2018, 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.

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

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, 2019 and 2018, 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

January 22, 2020

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

STATEMENT OF FINANCIAL POSITION

	Assets	
	June 30,	
	2019	2018
Cash and cash equivalents	\$ 232,295	\$ 383,285
Investments (Note 5)	225,089	220,492
Promises to give (Note 4)	22,900	44,550
Investments - Board-designated endowment (Notes 5 and 11)	4,790,681	4,565,299
Prepaid expenses	34,877	23,204
Property and equipment (Note 7)	394,517	398,057
Investments restricted for endowment (Notes 5 and 11)	463,857	463,857
Total Assets	\$ 6,164,216	\$ 6,098,744

Liabilities And Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 115,820	\$ 118,761
Refundable advance (Note 1)	—	85,126
Deferred income	3,800	21,450
Total Liabilities	119,620	225,337
Net Assets		
Without donor restrictions		
Invested in property and equipment	394,517	398,057
Board-designated endowment (Notes 5 and 11)	4,790,681	4,569,299
Available for operations	344,028	377,798
Total Net Assets Without donor restrictions	5,529,226	5,345,154
With donor restrictions (Notes 9 and 11)	515,370	528,253
Total Net Assets	6,044,596	5,873,407
Total Liabilities And Net Assets	\$ 6,164,216	\$ 6,098,744

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

STATEMENT OF ACTIVITIES For The Years Ended June 30, 2019 And 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support And Revenues						
Contributions (Note 13)	\$ 769,611	\$ 126,086	\$ 895,697	\$ 711,309	\$ 127,794	\$ 839,103
Special events	709,623	—	709,623	740,745	—	740,745
Less: Costs of direct benefits to donors	(253,567)	—	(253,567)	(239,798)	—	(239,798)
Donated tuition scholarships (Note 14)	229,712	—	229,712	226,310	—	226,310
Donated property and services (Note 14)	40,266	—	40,266	35,129	—	35,129
Investment return designated for current operations (Notes 5 and 11)	208,292	42,408	250,700	160,587	62,781	223,368
Other income	16,322	—	16,322	16,172	—	16,172
Net assets appropriated for expenditure (Note 11)	42,408	(42,408)	—	62,781	(62,781)	—
Net assets released from restrictions (Note 9)	138,969	(138,969)	—	167,839	(167,839)	—
Total Public Support And Revenues	1,901,636	(12,883)	1,888,753	1,881,074	(40,045)	1,841,029
Expenses						
Program services	1,559,977	—	1,559,977	1,599,504	—	1,599,504
Supporting activities:						
Management and general	169,818	—	169,818	200,465	—	200,465
Fundraising	217,468	—	217,468	261,757	—	261,757
Total Supporting Activities	387,286	—	387,286	462,222	—	462,222
Total Expenses	1,947,263	—	1,947,263	2,061,726	—	2,061,726
Decrease In Net Assets From Operations	(45,627)	(12,883)	(58,510)	(180,652)	(40,045)	(220,697)
Investment Income Greater Than Amount Designated For Current Operations (Note 5)	229,699	—	229,699	456,310	—	456,310
Increase (Decrease) In Net Assets	184,072	(12,883)	171,189	275,658	(40,045)	235,613
Net Assets - Beginning Of Year	5,345,154	528,253	5,873,407	5,069,496	568,298	5,637,794
Net Assets - End Of Year	\$ 5,529,226	\$ 515,370	\$ 6,044,596	\$ 5,345,154	\$ 528,253	\$ 5,873,407

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended June 30, 2019

	Program Services	Supporting Activities			Total
		Management And General	Fundraising	Total	
Direct Costs					
Living and education (Note 14)	\$ 656,565	\$ —	\$ —	\$ —	\$ 656,565
Occupancy	109,452	—	—	—	109,452
Supplies	11,080	—	—	—	11,080
Training and development	14,314	—	—	—	14,314
Transportation	34,329	—	—	—	34,329
Allocated Costs					
Bank and credit card fees	—	1,856	2,269	4,125	4,125
Computer services	3,582	3,583	4,777	8,360	11,942
Depreciation	52,038	—	—	—	52,038
Development	—	—	5,231	5,231	5,231
Insurance	5,479	2,739	2,739	5,478	10,957
Loss on uncollectible promises to give	—	12,850	—	12,850	12,850
Newsletter	2,080	2,080	4,160	6,240	8,320
Office supplies	2,887	5,292	1,443	6,735	9,622
Other	—	3,779	1,501	5,280	5,280
Payments to affiliated organization (Note 13)	16,037	6,683	4,010	10,693	26,730
Postage and shipping	132	265	132	397	529
Printing and stationary	394	198	1,383	1,581	1,975
Professional fees	6,645	12,900	—	12,900	19,545
Salaries and wages	542,094	85,413	156,590	242,003	784,097
Taxes and benefits	101,445	31,816	33,199	65,015	166,460
Telephone	102	34	34	68	170
Travel	1,322	330	—	330	1,652
	\$ 1,559,977	\$ 169,818	\$ 217,468	\$ 387,286	\$ 1,947,263

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended June 30, 2018

	Supporting Activities				Total
	Program Services	Management And General	Fundraising	Total	
Direct Costs					
Living and education (Note 14)	\$ 641,685	\$ —	\$ —	\$ —	\$ 641,685
Occupancy	90,940	—	—	—	90,940
Supplies	9,060	—	—	—	9,060
Training and development	23,231	—	—	—	23,231
Transportation	27,693	—	—	—	27,693
Allocated Costs					
Bank and credit card fees	—	1,600	1,955	3,555	3,555
Computer services	1,675	1,676	2,234	3,910	5,585
Depreciation	58,104	—	—	—	58,104
Development	—	—	8,938	8,938	8,938
Insurance	4,709	2,355	2,355	4,710	9,419
Loss on uncollectible promises to give	—	13,300	—	13,300	13,300
Newsletter	2,044	2,045	4,089	6,134	8,178
Office supplies	1,146	2,100	573	2,673	3,819
Other	—	6,226	1,668	7,894	7,894
Payments to affiliated organization (Note 13)	16,037	6,683	4,010	10,693	26,730
Postage and shipping	118	237	119	356	474
Printing and stationary	261	130	913	1,043	1,304
Professional fees	22,195	26,535	12,957	39,492	61,687
Salaries and wages	583,893	100,695	184,607	285,302	869,195
Taxes and benefits	115,331	36,529	37,305	73,834	189,165
Telephone	102	34	34	68	170
Travel	1,280	320	—	320	1,600
	\$ 1,599,504	\$ 200,465	\$ 261,757	\$ 462,222	\$ 2,061,726

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

STATEMENT OF CASH FLOWS

	For The Years Ended June 30,	
	2019	2018
Cash Flows From Operating Activities		
Increase in net assets	\$ 171,189	\$ 235,613
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	52,038	58,104
Unrealized (gains) losses on investments	44,002	(349,521)
Realized gains on sale of investments	(424,361)	(274,188)
Changes in assets and liabilities:		
Promises to give	21,650	48,504
Prepaid expenses	(11,673)	2,545
Charitable remainder trust	—	2,901
Accounts payable and accrued expenses	(2,941)	17,315
Refundable advance	(85,126)	85,126
Deferred income	(17,650)	7,950
Net Cash Used In Operating Activities	(252,872)	(165,651)
Cash Flows From Investing Activities		
Proceeds from charitable remainder trust	—	22,000
Purchases of investments	(1,258,335)	(1,593,885)
Proceeds from sale of investments	1,409,669	1,704,806
Purchases of property and equipment	(48,498)	(8,500)
Net Cash Provided By Investing Activities	102,836	124,421
Net Decrease In Cash And Cash Equivalents	(150,036)	(41,230)
Cash And Cash Equivalents - Beginning Of Year	588,764	629,994
Cash And Cash Equivalents - End Of Year	\$ 438,728	\$ 588,764
Cash And Cash Equivalents Consist Of:		
Cash and cash equivalents per statement of financial position	\$ 232,295	\$ 383,285
Cash equivalents included in investments (Note 5)	206,433	205,479
Cash And Cash Equivalents - End Of Year	\$ 438,728	\$ 588,764

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 And 2018

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 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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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.

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, which depend upon specified future and uncertain events, are recognized as support when the conditions upon which they depend are substantially met. Promises to give are reported at the amount management expects to collect on balances outstanding at year end, net of an allowance for uncollectible promises. 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 accounts. No allowance for potentially uncollectible amounts was considered necessary at June 30, 2019 or 2018.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements *(Continued)*

Investments And Investments Restricted For Endowment

Investments are reported at fair value. 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.

The Organization invests in various investment securities. 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 \$5,000. 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

Refundable Advance

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

During 2018, the Organization received a commitment from a donor to match contributions raised by the Organization up to \$150,000. The full \$150,000 was received by the Organization during 2018. At June 30, 2018, \$64,874 of matching contributions had been raised. The remaining matching funds of \$85,126 for which the condition had not yet been met were included as a refundable advance at June 30, 2018 on the statement of financial position. During 2019, the remaining matching contributions were raised. At June 30, 2019, there were no refundable advances.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements *(Continued)*

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.

Donated Materials And Services

As described in Note 14, various materials and services are donated to the Organization. Donated 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.

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.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (*Continued*)

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, 2016 and later remain subject to examination by taxing authorities.

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.

New Accounting Standard Implemented

During 2019, the Organization implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. In accordance with the ASU, the statement of financial position presents two classes of net assets, rather than the previously required three classes. The two classes are "Net assets without donor restrictions" (previously "Unrestricted" net assets) and "Net assets with donor restrictions" (previously "Temporarily" and "Permanently" restricted net assets). The ASU also requires information concerning liquidity and the presentation of expenses by both functional and natural classifications.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

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 source of revenue is contributions and special events.

3. Available Resources And Liquidity

As of June 30, 2019 and 2018, 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>2019</u>	<u>2018</u>
Financial Assets		
Cash and cash equivalents	\$ 232,295	\$ 383,285
Promises to give	22,900	44,550
Investments	5,479,627	5,249,648
Total Financial Assets	<u>5,734,822</u>	<u>5,677,483</u>
Less Amounts Not Available To Be Used Within One Year		
Board-designated endowment	4,790,681	4,565,299
Net assets with donor restrictions	515,370	528,253
Total Financial Assets Not Available To Be Used Within One Year	<u>5,306,051</u>	<u>5,093,552</u>
Financial Assets Available To Meet Cash Needs For General Expenditures Within One Year	<u>\$ 428,771</u>	<u>\$ 583,931</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>2019</u>	<u>2018</u>
Dinner fundraiser	\$ 12,000	\$ 19,600
Breakfast fundraiser	5,000	14,650
Board-designated endowment	—	4,000
Wine tasting fundraiser	5,900	1,300
Scholarships	—	5,000
	<u>\$ 22,900</u>	<u>\$ 44,550</u>

Promises to give are collectible in:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 21,900	\$ 39,150
One to five years	1,000	5,400
	<u>\$ 22,900</u>	<u>\$ 44,550</u>

5. Investments

Investments consist of:

	<u>2019</u>	<u>2018</u>
Cash equivalents	\$ 206,433	\$ 205,479
Mutual funds	700,622	623,540
Equities	3,307,750	3,281,981
Corporate bonds	1,264,822	1,138,648
	<u>\$ 5,479,627</u>	<u>\$ 5,249,648</u>

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

	<u>2019</u>	<u>2018</u>
Investments	\$ 225,089	\$ 220,492
Investments - Board-designated endowment (Note 11)	4,790,681	4,565,299
Donor-restricted endowment principal (Note 11)	463,857	463,857
	<u>\$ 5,479,627</u>	<u>\$ 5,249,648</u>

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

Investment income consists of:

	<u>2019</u>	<u>2018</u>
Interest and dividends, net of fees	\$ 100,040	\$ 55,969
Realized gains	424,361	274,188
Unrealized gains (losses)	(44,002)	349,521
	<u>\$ 480,399</u>	<u>\$ 679,678</u>

Investment income is reported net of investment fees of \$33,055 and \$31,117 for 2019 and 2018, respectively.

The amount reported as investment return designated for current operations is based on the amount budgeted for operations from earnings on the Board-designated and donor-restricted endowment funds (Note 11). From time to time, the budget may exceed the actual investment return.

6. Split-Interest Agreement

The Organization was a beneficiary of a charitable remainder trust. Upon the death of the last surviving annuitant of the trust, the Organization was to receive 50% of the remaining trust balance. During 2018, the last surviving annuitant of the trust passed away and the Organization received 50% of the remaining trust balance, which was approximately \$22,000.

7. Property And Equipment

Property and equipment consist of:

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 1,691,269	\$ 1,642,771
Computer equipment	51,432	51,432
Furniture and equipment	171,225	171,225
Vehicles	155,635	155,635
	<u>2,069,561</u>	<u>2,021,063</u>
Accumulated depreciation	(1,675,044)	(1,623,006)
	<u>\$ 394,517</u>	<u>\$ 398,057</u>

Depreciation charged to expense amounted to \$52,038 in 2019 and \$58,104 in 2018.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

8. Line Of Credit

The Organization has a business line of credit with a maximum draw of \$300,000, which matures on May 26, 2021. The agreement is secured by real property. The line of credit bears interest at the Prime Rate minus 0.75% (4.75% at June 30, 2019) and is payable monthly. No balance was outstanding at June 30, 2019 or 2018.

9. Net Assets With Donor Restrictions

Net assets include the following donor restrictions:

	<u>2019</u>	<u>2018</u>
College aid	\$ 18,428	\$ 19,406
Scholarships	1,000	1,000
Boys and girls home expenses	7,249	9,391
Time restriction	10,500	12,650
Other	14,336	21,949
Time and purpose restrictions	51,513	64,396
Donor-restricted endowment (Note 11)	463,857	463,857
	<u>\$ 515,370</u>	<u>\$ 528,253</u>

Net assets were released from donor restrictions as follows:

	<u>2019</u>	<u>2018</u>
College aid	\$ 81,477	\$ 74,982
Scholarships	9,000	11,000
Boys and girls home expenses	3,853	733
Charitable remainder trust (Note 6)	—	24,901
Time restriction	10,150	25,325
Other	34,489	30,898
	<u>\$ 138,969</u>	<u>\$ 167,839</u>

10. 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, 2019			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 206,433	\$ —	\$ —	\$ 206,433
Mutual funds				
Foreign large growth	386,943	—	—	386,943
Diversified emerging markets	289,567	—	—	289,567
Ultrashort bond	24,112	—	—	24,112
Equities				
Basic materials	111,470	—	—	111,470
Consumer goods	161,078	—	—	161,078
Financial	242,223	—	—	242,223
Foreign	97,390	—	—	97,390
Healthcare	615,240	—	—	615,240
Industrial goods	398,034	—	—	398,034
Services	809,003	—	—	809,003
Technology	873,312	—	—	873,312
Corporate bonds				
Consumer goods	—	381,131	—	381,131
Financial	—	366,428	—	366,428
Healthcare	—	105,542	—	105,542
Industrial goods	—	52,573	—	52,573
Technology	—	359,148	—	359,148
	\$ 4,214,805	\$ 1,264,822	\$ —	\$ 5,479,627

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.Notes To Financial Statements (*Continued*)

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 205,479	\$ —	\$ —	\$ 205,479
Mutual funds				
Foreign large growth	387,313	—	—	387,313
Diversified emerging markets	212,876	—	—	212,876
Ultrashort bond	23,351	—	—	23,351
Equities				
Basic materials	104,937	—	—	104,937
Consumer goods	182,822	—	—	182,822
Financial	129,409	—	—	129,409
Healthcare	773,199	—	—	773,199
Industrial goods	413,321	—	—	413,321
Services	770,490	—	—	770,490
Technology	907,803	—	—	907,803
Corporate bonds				
Consumer goods	—	373,732	—	373,732
Financial	—	355,252	—	355,252
Healthcare	—	99,897	—	99,897
Industrial goods	—	103,692	—	103,692
Technology	—	206,075	—	206,075
	\$ 4,111,000	\$ 1,138,648	\$ —	\$ 5,249,648

At June 30, 2019 and 2018, 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 2019 and 2018, there were no changes in the methods and/or assumptions utilized to derive the fair value of the Organization's investments.

11. Endowment Funds

The Organization's endowment consists of three permanently 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. 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.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

Endowment Net Asset Composition

As of June 30, 2019 and 2018, the Organization had the following endowment funds:

	2019			
	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Endowment Earnings	Investments In Perpetuity	
Board-designated endowment	\$ 4,790,681	\$ —	\$ —	\$ 4,790,681
Donor-restricted endowment funds	—	—	463,857	463,857
	\$ 4,790,681	\$ —	\$ 463,857	\$ 5,254,538

	2018			
	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Endowment Earnings	Investments In Perpetuity	
Board-designated endowment	\$ 4,565,299	\$ —	\$ —	\$ 4,565,299
Donor-restricted endowment funds	—	—	463,857	463,857
	\$ 4,565,299	\$ —	\$ 463,857	\$ 5,029,156

Changes In Endowment Assets For The Fiscal Years Ended June 30, 2019 And 2018:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Endowment Earnings	Investments In Perpetuity	
Endowment assets at July 1, 2017	\$ 4,092,492	\$ —	\$ 463,857	\$ 4,556,349
Transfer to board-designated endowment	15,500	—	—	15,500
Total investment income	617,894	62,781	—	680,675
Appropriation of endowment assets for expenditure	(160,587)	(62,781)	—	(223,368)
Endowment assets at June 30, 2018	4,565,299	—	463,857	5,029,156
Total investment income	433,674	42,408	—	476,082
Appropriation of endowment assets for expenditure	(208,292)	(42,408)	—	(250,700)
Endowment assets at June 30, 2019	\$ 4,790,681	\$ —	\$ 463,857	\$ 5,254,538

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, 2019 or 2018.

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.

12. 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 \$14,664 and \$13,875 in 2019 and 2018, respectively.

13. 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 \$26,730 in 2019 and 2018. No amounts were payable at June 30, 2019 or 2018.

For the years ended June 30, 2019 and 2018, the Organization received contributions of \$55,948 and \$78,476, respectively, from various members of the Board of Directors.

14. Gifts-In-Kind

The Organization received donated tuition scholarships amounting to \$229,712 and \$226,310 during 2019 and 2018, respectively. These amounts are included in living and education costs in the statement of functional expenses.

The Organization received donated services amounting to \$18,983 and \$19,387 during 2019 and 2018, respectively. These amounts are included in donated property and services on the statement of activities and in living and education costs on the statement of functional expenses.