
**BOYS HOPE GIRLS HOPE
OF ILLINOIS, INC.**
FINANCIAL STATEMENTS
JUNE 30, 2020



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



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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, 2020 and 2019, 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, 2020 and 2019, 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 23, 2020

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

STATEMENT OF FINANCIAL POSITION

	Assets	
	June 30,	
	2020	2019
Cash and cash equivalents	\$ 376,021	\$ 232,295
Investments (Note 5)	227,977	225,089
Promises to give (Note 4)	20,670	22,900
Investments - Board-designated endowment (Notes 5 and 10)	5,210,987	4,790,681
Prepaid expenses	26,353	34,877
Other current assets (Note 16)	25,000	—
Property and equipment (Note 6)	352,897	394,517
Investments restricted for endowment (Notes 5 and 10)	463,857	463,857
Total Assets	\$ 6,703,762	\$ 6,164,216

Liabilities And Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 117,948	\$ 115,820
Paycheck Protection Program loan (Note 14)	171,475	—
Deferred income	500	3,800
Total Liabilities	289,923	119,620
Net Assets		
Without donor restrictions		
Invested in property and equipment	352,897	394,517
Board-designated endowment (Notes 5 and 10)	5,210,987	4,794,681
Available for operations	303,696	340,028
Total net assets without donor restrictions	5,867,580	5,529,226
With donor restrictions (Notes 8 and 10)	546,259	515,370
Total Net Assets	6,413,839	6,044,596
Total Liabilities And Net Assets	\$ 6,703,762	\$ 6,164,216

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

STATEMENT OF ACTIVITIES For The Years Ended June 30, 2020 And 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support And Revenues						
Contributions (Note 12)	\$ 670,373	\$ 138,949	\$ 809,322	\$ 769,611	\$ 126,086	\$ 895,697
Special events	780,282	—	780,282	709,623	—	709,623
Less: Costs of direct benefits to donors	(240,282)	—	(240,282)	(253,567)	—	(253,567)
Donated tuition scholarships (Note 13)	231,920	—	231,920	229,712	—	229,712
Donated property and services (Note 13)	44,205	—	44,205	40,266	—	40,266
Investment income designated for current operations (Notes 5 and 10)	226,947	57,866	284,813	208,292	42,408	250,700
Other income	11,443	—	11,443	16,322	—	16,322
Net assets appropriated for expenditure (Note 10)	57,866	(57,866)	—	42,408	(42,408)	—
Net assets released from restrictions (Note 8)	108,060	(108,060)	—	138,969	(138,969)	—
Total Public Support And Revenues	1,890,814	30,889	1,921,703	1,901,636	(12,883)	1,888,753
Expenses						
Program services	1,548,719	—	1,548,719	1,559,977	—	1,559,977
Supporting activities:						
Management and general	178,297	—	178,297	169,818	—	169,818
Fundraising	248,559	—	248,559	217,468	—	217,468
Total Supporting Activities	426,856	—	426,856	387,286	—	387,286
Total Expenses	1,975,575	—	1,975,575	1,947,263	—	1,947,263
Increase (Decrease) In Net Assets From Operations	(84,761)	30,889	(53,872)	(45,627)	(12,883)	(58,510)
Investment Income Greater Than Amount Designated For Current Operations (Note 5)	423,115	—	423,115	229,699	—	229,699
Increase (Decrease) In Net Assets	338,354	30,889	369,243	184,072	(12,883)	171,189
Net Assets - Beginning Of Year	5,529,226	515,370	6,044,596	5,345,154	528,253	5,873,407
Net Assets - End Of Year	\$ 5,867,580	\$ 546,259	\$ 6,413,839	\$ 5,529,226	\$ 515,370	\$ 6,044,596

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 stationary	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 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 13)	\$ 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 12)	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 CASH FLOWS

	For The Years	
	Ended June 30,	
	2020	2019
Cash Flows From Operating Activities		
Increase in net assets	\$ 369,243	\$ 171,189
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	51,620	52,038
Unrealized (gains) losses on investments	(438,675)	44,002
Realized gains on sale of investments	(190,802)	(424,361)
Donated property and equipment	(10,000)	—
Changes in assets and liabilities:		
Promises to give	2,230	21,650
Prepaid expenses	8,524	(11,673)
Other current assets	(25,000)	—
Accounts payable and accrued expenses	2,128	(2,941)
Refundable advance	—	(85,126)
Deferred income	(3,300)	(17,650)
Net Cash Used In Operating Activities	(234,032)	(252,872)
Cash Flows From Investing Activities		
Purchases of investments	(1,901,733)	(1,258,335)
Proceeds from sale of investments	2,115,206	1,409,669
Purchases of property and equipment	—	(48,498)
Net Cash Provided By Investing Activities	213,473	102,836
Cash Flows Provided By Financing Activities		
Proceeds from Paycheck Protection Program loan	171,475	—
Net Increase (Decrease) In Cash And Cash Equivalents	150,916	(150,036)
Cash And Cash Equivalents - Beginning Of Year	438,728	588,764
Cash And Cash Equivalents - End Of Year	\$ 589,644	\$ 438,728
Cash And Cash Equivalents Consist Of:		
Cash and cash equivalents per statement of financial position	\$ 376,021	\$ 232,295
Cash equivalents included in investments (Note 5)	213,623	206,433
Cash And Cash Equivalents - End Of Year	\$ 589,644	\$ 438,728

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 And 2019

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 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.

New Accounting Standard Implementation

Effective July 1, 2018, the Organization adopted Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, which provides enhanced guidance to assist organizations in evaluating whether transactions should be accounted for as contributions or reciprocal transactions. The implementation did not have a material impact on the Organization's financial statements.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements *(Continued)*

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, 2020 or 2019.

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.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements *(Continued)*

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, that is, those with a measurable performance or other barrier, are not recognized as support until the conditions upon which they depend are met. Until conditions are met, gifts received are recorded as a liability on the statement of financial position.

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 13, 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.

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.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

The consolidated federal tax returns for tax years ended June 30, 2017 and later remain subject to examination by taxing authorities.

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, 2020 and 2019, 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>2020</u>	<u>2019</u>
Financial Assets		
Cash and cash equivalents	\$ 376,021	\$ 232,295
Promises to give	20,670	22,900
Investments	5,902,821	5,479,627
Total Financial Assets	<u>6,299,512</u>	<u>5,734,822</u>
Less Amounts Not Available To Be Used Within One Year		
Board-designated endowment	5,210,987	4,790,681
Net assets with donor restrictions	546,259	515,370
Total Financial Assets Not Available To Be Used Within One Year	<u>5,757,246</u>	<u>5,306,051</u>
Financial Assets Available To Meet Cash Needs For General Expenditures Within One Year	<u>\$ 542,266</u>	<u>\$ 428,771</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>2020</u>	<u>2019</u>
Dinner fundraiser	\$ 13,170	\$ 12,000
Breakfast fundraiser	2,500	5,000
Operations	5,000	—
Wine tasting fundraiser	—	5,900
	<u>\$ 20,670</u>	<u>\$ 22,900</u>

Promises to give are collectible in:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 18,170	\$ 21,900
One to five years	2,500	1,000
	<u>\$ 20,670</u>	<u>\$ 22,900</u>

5. Investments

Investments consist of:

	<u>2020</u>	<u>2019</u>
Cash equivalents	\$ 213,623	\$ 206,433
Mutual funds	660,549	700,622
Equities	3,676,967	3,307,750
Corporate bonds	1,351,682	1,264,822
	<u>\$ 5,902,821</u>	<u>\$ 5,479,627</u>

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

	<u>2020</u>	<u>2019</u>
Investments	\$ 227,977	\$ 225,089
Investments - Board-designated endowment (Note 10)	5,210,987	4,790,681
Donor-restricted endowment principal (Note 10)	463,857	463,857
	<u>\$ 5,902,821</u>	<u>\$ 5,479,627</u>

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

Investment income consists of:

	<u>2020</u>	<u>2019</u>
Interest and dividends, net of fees	\$ 78,451	\$ 100,040
Realized gains	190,802	424,361
Unrealized gains (losses)	438,675	(44,002)
	<u>\$ 707,928</u>	<u>\$ 480,399</u>

Investment income is reported net of investment fees of \$33,074 and \$33,055 for 2020 and 2019, 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>2020</u>	<u>2019</u>
Buildings and improvements	\$ 1,691,269	\$ 1,691,269
Computer equipment	51,432	51,432
Furniture and equipment	181,225	171,225
Vehicles	155,635	155,635
	2,079,561	2,069,561
Accumulated depreciation	(1,726,664)	(1,675,044)
	<u>\$ 352,897</u>	<u>\$ 394,517</u>

Depreciation charged to expense amounted to \$51,620 in 2020 and \$52,038 in 2019.

7. 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% (2.50% at June 30, 2020) and is payable monthly. No balance was outstanding at June 30, 2020 or 2019.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

8. Net Assets With Donor Restrictions

Net assets include the following donor restrictions:

	<u>2020</u>	<u>2019</u>
College aid	\$ 41,542	\$ 18,428
Scholarships	1,000	1,000
Boys and girls home expenses	7,147	7,249
Time restriction	13,170	10,500
Other	19,543	14,336
Time and purpose restrictions	82,402	51,513
Donor-restricted endowment (Note 10)	463,857	463,857
	<u>\$ 546,259</u>	<u>\$ 515,370</u>

Net assets were released from donor restrictions as follows:

	<u>2020</u>	<u>2019</u>
College aid	\$ 75,186	\$ 81,477
Scholarships	11,000	9,000
Boys and girls home expenses	102	3,853
Time restriction	8,000	10,150
Other	13,772	34,489
	<u>\$ 108,060</u>	<u>\$ 138,969</u>

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.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (*Continued*)

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, 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
	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*)

At June 30, 2020 and 2019, 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 2020 and 2019, 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, 2020 and 2019, the Organization had the following endowment funds:

	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
	<u>\$ 5,210,987</u>	<u>\$ —</u>	<u>\$ 463,857</u>	<u>\$ 5,674,844</u>

	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
	<u>\$ 4,790,681</u>	<u>\$ —</u>	<u>\$ 463,857</u>	<u>\$ 5,254,538</u>

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

Changes In Endowment Assets For The Fiscal Years Ended June 30, 2020 And 2019:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Endowment Earnings	Investments In Perpetuity	
Endowment assets at July 1, 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
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

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, 2020 or 2019.

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 \$12,340 and \$14,664 in 2020 and 2019, 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 \$28,927 and \$26,730 in 2020 and 2019, respectively. No amounts were payable at June 30, 2020 or 2019.

For the years ended June 30, 2020 and 2019, the Organization received contributions of \$46,430 and \$55,948, respectively, from various members of the Board of Directors.

13. Gifts-In-Kind

The Organization received donated tuition scholarships amounting to \$231,920 and \$229,712 during 2020 and 2019, respectively. These amounts are included in living and education costs in the statement of functional expenses.

The Organization received donated services amounting to \$19,875 and \$18,983 during 2020 and 2019, 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.

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 will bear interest at a rate of 1%. During the period beginning April 2020 and ending on the six-month anniversary of the date of the loan (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 Organization can apply to through the bank 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.

The first payment on the term loan is due seven months following the date of the loan. On the first payment date and each month thereafter until the second anniversary of the date of the loan, monthly principal and interest payments of \$9,602 are due. A final payment of unpaid principal plus accrued interest is due at maturity.

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.

Subsequent to year end, the SBA approved the full forgiveness of this loan.

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 2021 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 2021 and beyond.

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 to either outdoor or virtual events 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.

16. Subsequent Events

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, IL 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.

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