

**BOYS HOPE GIRLS HOPE OF ST. LOUIS, INC.**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2018  
(With comparative totals for 2017)**

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## Independent Auditors' Report

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

We have audited the accompanying financial statements of Boys Hope Girls Hope of St. Louis, Inc. (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 St. Louis, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited Boys Hope Girls Hope of St. Louis, Inc.'s 2017 financial statements, and our report dated November 30, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Anders Minkler Huber & Helms LLP*

December 17, 2018

**Boys Hope Girls Hope of St. Louis, Inc.**  
**Statement of Financial Position**  
**Year Ended June 30, 2018**  
**(With comparative totals for 2017)**

	<b>Assets</b>			<b>Totals</b>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2018</u>	<u>2017</u>
	Current Assets				
Cash	\$ 136,512	\$ 46,000	\$ -	\$ 182,512	\$ 89,814
Cash equivalents	103,643	-	-	103,643	31,468
Investments, at fair value	1,138,911	-	300,818	1,439,729	1,434,500
Unconditional					
promises to give	54,974	255,936	-	310,910	493,412
Prepaid expenses	<u>6,025</u>	<u>-</u>	<u>-</u>	<u>6,025</u>	<u>1,575</u>
Total Current Assets	1,440,065	301,936	300,818	2,042,819	2,050,769
Property and Equipment, net	3,919,084	-	-	3,919,084	4,012,381
Unconditional Promises to Give	<u>-</u>	<u>273,374</u>	<u>-</u>	<u>273,374</u>	<u>579,694</u>
Total Assets	<u>\$ 5,359,149</u>	<u>\$ 575,310</u>	<u>\$ 300,818</u>	<u>\$ 6,235,277</u>	<u>\$ 6,642,844</u>
<b>Liabilities and Net Assets</b>					
Current Liabilities					
Current maturities of long-term debt	\$ 51,671	\$ -	\$ -	\$ 51,671	\$ 92,621
Accounts payable	31,785	-	-	31,785	64,554
Accrued expenses	<u>72,359</u>	<u>-</u>	<u>-</u>	<u>72,359</u>	<u>57,271</u>
Total Current Liabilities	155,815	-	-	155,815	214,446
Long-Term Debt	<u>147,040</u>	<u>-</u>	<u>-</u>	<u>147,040</u>	<u>407,379</u>
Total Liabilities	<u>302,855</u>	<u>-</u>	<u>-</u>	<u>302,855</u>	<u>621,825</u>
Net Assets					
Unrestricted:					
Available for general activities	4,806,294	-	-	4,806,294	4,371,817
Board designated	250,000	-	-	250,000	250,000
Temporarily restricted	-	575,310	-	575,310	1,098,384
Permanently restricted	<u>-</u>	<u>-</u>	<u>300,818</u>	<u>300,818</u>	<u>300,818</u>
Total Net Assets	<u>5,056,294</u>	<u>575,310</u>	<u>300,818</u>	<u>5,932,422</u>	<u>6,021,019</u>
Total Liabilities and Net Assets	<u>\$ 5,359,149</u>	<u>\$ 575,310</u>	<u>\$ 300,818</u>	<u>\$ 6,235,277</u>	<u>\$ 6,642,844</u>

**Boys Hope Girls Hope of St. Louis, Inc.**  
**Statement of Activities**  
**Year Ended June 30, 2018**  
**(With comparative totals for 2017)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2018	2017
Revenue, Gains and Other Support					
Contributions - operating	\$ 448,306	\$ 120,000	\$ -	\$ 568,306	\$ 1,293,242
Contributions - capital campaign	-	-	-	-	5,499
In-kind contributions	49,907	-	-	49,907	45,783
In-kind contributions - tuition	101,203	-	-	101,203	59,510
Fundraising events, net	770,194	-	-	770,194	541,559
Interest and dividend income	54,795	-	-	54,795	35,789
Realized gain on investments	222,639	-	-	222,639	114,763
Net unrealized loss on investments	(170,099)	-	-	(170,099)	(10,449)
Gain (loss) on disposition of property and equipment	(9,801)	-	-	(9,801)	80,114
Total Revenues, Gains and Other Support	1,467,144	120,000	-	1,587,144	2,165,810
Net assets released from restrictions:					
Satisfaction of time and purpose restrictions	643,074	(643,074)	-	-	-
Total Revenues, Gains and Other Support	2,110,218	(523,074)	-	1,587,144	2,165,810
Expenses					
Program Services	1,340,369	-	-	1,340,369	1,318,276
Supporting Activities					
Management and general	162,563	-	-	162,563	169,300
Fundraising	172,809	-	-	172,809	164,925
Total Supporting Activities	335,372	-	-	335,372	334,225
Total Expenses	1,675,741	-	-	1,675,741	1,652,501
Change in Net Assets	434,477	(523,074)	-	(88,597)	513,309
Net Assets, Beginning of Year	4,621,817	1,098,384	300,818	6,021,019	5,507,710
Net Assets, End of Year	\$ 5,056,294	\$ 575,310	\$ 300,818	\$ 5,932,422	\$ 6,021,019

**Boys Hope Girls Hope of St. Louis, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2018**  
**(With comparative totals for 2017)**

	Program Services	Supporting Activities			Total	
		Management and General	Fundraising	Total	2018	2017
Professional salaries	\$ 84,999	\$ 34,495	\$ 80,445	\$ 114,940	\$ 199,939	\$ 194,871
Support staff	460,169	84,081	55,433	139,514	599,683	478,152
Total Salaries	<u>545,168</u>	<u>118,576</u>	<u>135,878</u>	<u>254,454</u>	<u>799,622</u>	<u>673,023</u>
Payroll taxes	40,997	8,917	10,218	19,135	60,132	51,142
Employee benefits	91,691	25,302	6,326	31,628	123,319	106,293
Total Related Expenses	<u>132,688</u>	<u>34,219</u>	<u>16,544</u>	<u>50,763</u>	<u>183,451</u>	<u>157,435</u>
Other Expenses						
Building expenses	40,753	-	-	-	40,753	35,208
Furnishings	12,432	-	-	-	12,432	7,282
Domestic supplies	7,047	-	-	-	7,047	6,390
Scholar assistance						
Tuition and college aid	145,318	-	-	-	145,318	104,572
Living expense	109,670	-	-	-	109,670	102,444
Educational expense	49,013	-	-	-	49,013	58,748
Miscellaneous expense	15,167	-	-	-	15,167	16,782
Total Scholar Assistance	<u>319,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,168</u>	<u>282,546</u>
Transportation	33,148	-	-	-	33,148	33,054
Gifts in-kind	31,680	1,570	16,657	18,227	49,907	45,783
Uncollectible pledges	13,753	-	-	-	13,753	1,433
Hope Builds	-	-	-	-	-	150,000
Administration	85,792	3,730	3,730	7,460	93,252	122,164
Assessments - National Program	<u>22,721</u>	<u>4,008</u>	<u>-</u>	<u>4,008</u>	<u>26,729</u>	<u>26,731</u>
Total Other Expenses	<u>566,494</u>	<u>9,308</u>	<u>20,387</u>	<u>29,695</u>	<u>596,189</u>	<u>710,591</u>
Total Expenses Before Depreciation	1,244,350	162,103	172,809	334,912	1,579,262	1,541,049
Depreciation	<u>96,019</u>	<u>460</u>	<u>-</u>	<u>460</u>	<u>96,479</u>	<u>111,452</u>
Total Expenses	<u>\$ 1,340,369</u>	<u>\$ 162,563</u>	<u>\$ 172,809</u>	<u>\$ 335,372</u>	<u>\$ 1,675,741</u>	<u>\$ 1,652,501</u>

**Boys Hope Girls Hope of St. Louis, Inc.**  
**Statement of Cash Flows**  
**Year Ended June 30, 2018**  
**(With comparative totals for 2017)**

	2018	2017
Cash Flows From Operating Activities		
Change in net assets	\$ (88,597)	\$ 513,309
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	96,479	111,452
Realized gains from sales of investments	(222,639)	(114,763)
Unrealized (gains) losses on investments	154,358	(2,483)
(Gain) loss on disposal of property and equipment	9,801	(80,114)
Donated securities	(92,009)	(139,254)
(Increase) decrease in assets:		
Unconditional promises to give	488,822	124,116
Prepaid expenses	(4,450)	3,793
Increase (decrease) in liabilities:		
Accounts payable	(32,769)	(243,523)
Accrued expenses	18,278	5,743
Deferred bonus plan	(3,190)	-
Net Cash Provided by Operating Activities	324,084	178,276
Cash Flows From Investing Activities		
Purchases of investments	(948,263)	(32,885)
Proceeds from sales of investments	1,103,324	168,670
Purchases of property and equipment	(12,983)	(26,648)
Proceeds from sale of property and equipment	-	450,540
Net Cash Provided by Investing Activities	142,078	559,677
Cash Flows From Financing Activities		
Payments on long-term debt	(301,289)	(876,344)
Net Cash Used in Financing Activities	(301,289)	(876,344)
Net Increase (Decrease) in Cash and Cash Equivalents	164,873	(138,391)
Cash and Cash Equivalents, Beginning of Year	121,282	259,673
Cash and Cash Equivalents, End of Year	\$ 286,155	\$ 121,282
Cash	\$ 182,512	\$ 89,814
Cash Equivalents	103,643	31,468
Total Cash and Cash Equivalents	\$ 286,155	\$ 121,282
Supplemental Disclosures of Cash Flow Information		
Cash paid for		
Interest	\$ 17,211	\$ 28,603

Noncash Financing Activities

During 2017, the Organization refinanced \$500,000 of its long-term debt extending the maturity date to January 2022.

**Boys Hope Girls Hope of St. Louis, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**1. Nature of Operations and Basis of Presentation**

**Organization**

Boys Hope Girls Hope of St. Louis, Inc. (the "Organization") provides housing and educational assistance for academically capable and motivated children-in-need in the St. Louis metropolitan area. The organization provides a path to and through college with its three program platforms: a residential facility that provides a family-like environment for scholars, Hope Prep academy which currently offers college and career readiness programming in two St. Louis school districts, and collegian services to help ensure scholars persist to receive a college degree. The Organization provides family environments that allow scholars to mature and succeed through guidance, education, financial support, and encouragement.

In 2015, the Organization launched a capital campaign and construction began for a new building. The project was named "Hope Builds". Construction of the building was complete in spring 2016 and the Organization moved to the new location during the June 30, 2016 fiscal year. This project affected the financial statements of the Organization in many ways. Due to the capital campaign, pledges receivable and contributions increased in previous years, and the Organization has seen a substantial decrease in pledged receivables in the current year due to the receipt of previously pledged contributions.

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with the provisions of the Financial Accounting Standards Board ("FASB"), Accounting Standards Codification (the "FASB ASC"), which is the source of authoritative, non-governmental accounting principles generally accepted in the United States of America ("GAAP"). All references to authoritative accounting guidance contained in our disclosures are based on the general accounting topics within the FASB ASC.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified into three categories of net assets, as applicable, and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Board designated funds are established by the Board of Directors and represent unrestricted net assets that have been set aside for a particular purpose.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations required to be maintained permanently by the Organization. The income earned on any related investments would also be subject to donor-imposed stipulations.

**Boys Hope Girls Hope of St. Louis, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

The financial statements include certain prior-year summarized comparative information in total, but not by class of net assets. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

**2. Summary of Significant Accounting Policies**

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Fair Value Measurements**

The Organization follows guidance issued by the FASB on fair value measurements, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies whenever fair value is the applicable measurement. The three general valuation techniques used to measure fair value are the market approach, cost approach, and income approach.

**Cash Equivalents**

The Organization considers all short-term investments with an original maturity of three months or less at the time of purchase to be cash equivalents. The balance includes money market accounts of \$103,643 and \$31,468 for the years ended June 30, 2018 and 2017, respectively.

**Investments**

The Organization carries investments at fair value with unrealized holding gains and losses included in earnings. Realized gains and losses are included in earnings and are derived using the average cost method for determining the cost of securities sold. Dividend and interest income is recognized when earned.

**Unconditional Promises to Give**

Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value using risk-free interest rates applicable to the years in which the promises are to be received.

**Boys Hope Girls Hope of St. Louis, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

The Organization provides an allowance for doubtful promises to give equal to the estimated losses that will be incurred in the collection of unconditional promises to give. This estimate is based on historical experience coupled with a review of the current status of existing promises. The allowance and associated promises are reduced when the promises are determined to be uncollectible. The Organization considers unconditional promises to give to be fully collectible; accordingly, no allowance for doubtful accounts is deemed necessary.

**Property and Equipment**

Property and equipment acquisitions with a cost in excess of \$2,500 are capitalized and recorded at cost, while maintenance and repairs are expensed as incurred. Donated assets are recorded at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose or period of time. When assets are sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts. Any gain or loss arising from such disposition is included as income or expense in the year of disposition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The estimated lives for computing depreciation on property and equipment are:

<u>Classification</u>	<u>Years</u>
Building and improvements	10-39
Furniture and fixtures	5-10
Automobiles	5

**Long-Lived Asset Impairment**

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2018 and 2017.

**Boys Hope Girls Hope of St. Louis, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Endowment Fund**

The State of Missouri enacted the State Prudent Management of Institutional Funds Act ("SPMIFA") effective August 28, 2009. The Organization follows FASB guidance on accounting for the net assets classification of restricted endowment funds for a not-for-profit organization that is subject to the enacted version of the SPMIFA. The Organization has determined that the permanently restricted net assets meet the definition of endowment funds under SPMIFA.

The Organization has interpreted the SPMIFA as requiring the preservation of the original gift amount. As a result of this interpretation, the Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The remaining portion of funds are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

**Support and Revenue**

Contributions, including unconditional promises to give, are recorded as received. All contributions are available for unrestricted use unless specifically restricted by the donor. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Donor restricted contributions in which the restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

**Donated Materials and Services (In Kind)**

Donated noncash items are recorded as contributions at their fair values at the date of donation. The estimated fair values of donated items was approximately \$49,907 and \$45,783 for the years ended June 30, 2018 and 2017, respectively.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provided various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

**Tuition and Fees**

Several of the schools attended by the scholars have provided tuition assistance. For the years ended June 30, 2018 and 2017, the Organization received tuition grants of \$101,203 and \$59,510, respectively. These amounts have been recorded in contributions, with offsetting expenses included in scholar assistance.

**Boys Hope Girls Hope of St. Louis, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Functional Expense Allocation**

The Organization allocates expenses on a functional basis among various programs and supporting services. Expenses that can be identified with a specific program and supporting service are allocated directly according to their natural expenditure classifications. Other expenses that are common to several functions are allocated by various statistical bases.

**Income Taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), except on net income derived from unrelated business activities as defined in the Code. Accordingly, the Organization files as a tax exempt organization under the national Boys Hope Girls Hope organization.

The Organization follows guidance issued by the FASB on accounting for income taxes and has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings, and believes that no provision for income taxes is necessary to cover any uncertain tax positions. The Organization's returns for tax years 2014 and later remain subject to examination by taxing authorities.

**Subsequent Events**

The Organization has evaluated subsequent events through December 17, 2018, the date the financial statements were available to be issued.

**Recent Accounting Pronouncements**

**Not-for-profit Entities**

The FASB has issued new guidance on financial reporting for not-for-profit entities. The guidance requires a not-for-profit entity to present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. That is, a not-for-profit entity will report amounts for net assets with donor restrictions and net assets without donor restrictions, as well as the currently required amount for total net assets. The guidance also requires a not-for-profit entity to present on the face of the statement of activities the amount of the change in each of the two classes of net assets rather than that of the currently required three classes. Not-for-profit entities will continue reporting the currently required amount of the change in total net assets for the period. The guidance also requires a not-for-profit entity to continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer requires the presentation or disclosure of the indirect method (reconciliation) if using the direct method. The guidance also requires enhanced disclosures about the following:

**Boys Hope Girls Hope of St. Louis, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

- Amounts and purposes of governing board designations, appropriations, etc.,
- Composition of net assets with donor restrictions at the end of the period,
- Qualitative information that communicates how an entity manages its liquid resources,
- Quantitative and additional qualitative information, as necessary, that communicates the availability of an entity's financial assets,
- Amounts of expenses by both their natural classification and their functional classification,
- Method(s) used to allocate costs among program and support functions,
- Underwater endowment funds.

The guidance also requires that the Organization report investment return net of external and direct internal investment expenses and no longer require disclosure of those netted expenses. The guidance also requires that the Organization use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset.

The guidance will be required for the first fiscal year beginning after December 15, 2017. Based on a preliminary analysis, the Organization does expect the new guidance will have a significant impact on its financial statements.

**3. Affiliate Agreements**

*National Organization*

The Organization is affiliated with Boys Hope Girls Hope (the "National Program"). The Organization is required, under mutual agreement with the National Program, to pay an assessment to the National Program for administrative and promotional services rendered on behalf of the Organization. The National Program determines the amounts due for each year of operation. The assessments totaled \$26,731 for the years ended June 30, 2018 and 2017.

The National Program also administers certain group life and medical insurance plans for the Organization. The Organization is charged its allocated premiums by the National Program. The allocations for the years ended June 30, 2018 and 2017 were \$101,849 and \$85,318, respectively, and are included in employee benefits on the statement of functional expenses. In addition, the Organization carries certain other types of insurance under group policies administered by the National Program. The Organization pays premiums for these policies directly to the underwriters.

**Boys Hope Girls Hope of St. Louis, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

*Associate Board*

The Organization is supported by the Associate Board, which was established in fiscal year 2001. The Associate Board's purpose is to generate funds for the operation of the program. The Associate Board raises funds from special events. The revenue and expenses of the Associate Board are reflected in the Organization's statement of activities under fundraising events, net. For the years ended June 30, 2018 and 2017, revenues from these events were \$14,012 and \$23,063, respectively. Associated expenses at June 30, 2018 and 2017 were \$2,537 and \$5,266, respectively.

*Women of Hope*

The Organization is supported by the Women of Hope. The purpose of Women of Hope is to aid the management and staff of the Organization in providing housing and educational assistance. The Women of Hope raise funds from members' dues and special events. The revenue and expenses of the Women of Hope are reflected in the Organization's statement of activities under fundraising events, net. For the years ended June 30, 2018 and 2017, revenues from these events were \$100,974 and \$97,816, respectively. Associated expenses at June 30, 2018 and 2017 were \$43,112 and \$48,285, respectively.

**4. Fair Value Measurements**

The framework for measuring fair value establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into Levels 1, 2, and 3. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- |         |  |
|---------|--|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical instruments in active markets.  |
| Level 2 | Inputs to the valuation methodology to include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, inputs other than quoted prices that are observable for the instrument, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement.  |

The instruments' fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

**Boys Hope Girls Hope of St. Louis, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

Carrying amounts of certain financial instruments such as cash and cash equivalents, pledges receivable, accounts payable, accrued expenses, line of credit and note payable approximate fair value due to their short maturities or because the terms are similar to market terms. There have been no changes in the methodologies used at June 30, 2018 and 2017.

Following is a description of the valuation methodologies used for instruments measured at fair value.

- |         |  |
|---------|--|
| Level 1 | Instruments consist of equity securities and publicly traded mutual funds. These investments are traded on national exchanges and are stated at the last reported sales price on the day of valuation.   |
| Level 2 | Instruments consist of U.S. Treasury securities, corporate bonds, and mortgage-backed securities. These securities are valued using evaluated pricing, which incorporates modeling techniques, information from extensive market sources, observed transaction data, credit quality information, perceived market movements, news, and other relevant information. |

**Boys Hope Girls Hope of St. Louis, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

The following table presents the fair value measurements of instruments recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements are categorized at June 30, 2018 and 2017:

	2018			
	Total	Fair Value Measurements		Level 3
		Level 1	Level 2	
Investments:				
Equity securities:				
Financial services	\$ 332,418	\$ 332,418	\$ -	\$ -
Technology	81,637	81,637	-	-
International	201,945	201,945	-	-
Insurance	30,174	30,174	-	-
Medical	33,141	33,141	-	-
Consumer services	17,160	17,160	-	-
Energy	10,220	10,220	-	-
Retail	63,272	63,272	-	-
Producer manufacturing	9,880	9,880	-	-
Consumer durables	78,838	78,838	-	-
Industrial equipment	42,480	42,480	-	-
Industrial services	11,747	11,747	-	-
Consumer non-durables	47,193	47,193	-	-
Transportation	15,085	15,085	-	-
Telecommunication	7,876	7,876	-	-
Health care	70,837	70,837	-	-
Real Estate	41,029	41,029	-	-
	<u>1,094,932</u>	<u>1,094,932</u>	<u>-</u>	<u>-</u>
Mutual funds:				
Small/Mid U.S. equity	86,588	86,588	-	-
	<u>86,588</u>	<u>86,588</u>	<u>-</u>	<u>-</u>
Fixed-income securities				
U.S. Treasury securities	95,460	-	95,460	-
Corporate debt securities	145,616	-	145,616	-
Mortgage-backed securities	17,133	-	17,133	-
	<u>258,209</u>	<u>-</u>	<u>258,209</u>	<u>-</u>
Total Investments	<u>\$ 1,439,729</u>	<u>\$ 1,181,520</u>	<u>\$ 258,209</u>	<u>\$ -</u>

**Boys Hope Girls Hope of St. Louis, Inc.**  
**Notes to Financial Statements**  
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	2017			
	Total	Fair Value Measurements		Level 3
		Level 1	Level 2	
Investments:				
Equity securities:				
Financial services	\$ 155,115	\$ 155,115	\$ -	\$ -
Technology	153,065	153,065	-	-
International	81,806	81,806	-	-
Medical	38,477	38,477	-	-
Consumer services	33,411	33,411	-	-
Resorts and casinos	18,777	18,777	-	-
Energy	2,986	2,986	-	-
Process industries	30,345	30,345	-	-
Retail	14,731	14,731	-	-
Producer manufacturing	36,205	36,205	-	-
Consumer durables	18,193	18,193	-	-
Industrial equipment	39,267	39,267	-	-
Industrial services	19,343	19,343	-	-
Consumer non-durables	18,636	18,636	-	-
Consumer goods	18,193	18,193	-	-
Industrial materials	21,747	21,747	-	-
Health care	30,341	30,341	-	-
Other	15,738	15,738	-	-
	<u>746,376</u>	<u>746,376</u>	<u>-</u>	<u>-</u>
Mutual funds:				
Large U.S. equity	14,784	14,784	-	-
Small/Mid U.S. equity	<u>162,049</u>	<u>162,049</u>	<u>-</u>	<u>-</u>
	<u>176,833</u>	<u>176,833</u>	<u>-</u>	<u>-</u>
Fixed-income securities				
U.S. Treasury securities	209,563	-	209,563	-
Corporate debt securities	269,487	-	269,487	-
Mortgage-backed securities	<u>32,241</u>	<u>32,241</u>	<u>-</u>	<u>-</u>
	<u>511,291</u>	<u>32,241</u>	<u>479,050</u>	<u>-</u>
Total Investments	<u>\$ 1,434,500</u>	<u>\$ 955,450</u>	<u>\$ 479,050</u>	<u>\$ -</u>

**Boys Hope Girls Hope of St. Louis, Inc.**  
**Notes to Financial Statements**  
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**5. Investments**

A summary of the cost and fair value of the Organization's investments as of June 30, is as follows:

	2018			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	\$ 1,021,501	\$ 73,431	\$ -	\$ 1,094,932
Mutual funds	67,310	19,278	-	86,588
U.S. Treasury securities	98,701	-	(3,241)	95,460
Corporate debt securities	150,860	-	(5,244)	145,616
Mortgage backed securities	17,401	-	(268)	17,133
	<u>\$ 1,355,773</u>	<u>\$ 92,709</u>	<u>\$ (8,753)</u>	<u>\$ 1,439,729</u>
	2017			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	\$ 536,065	\$ 210,311	\$ -	\$ 746,376
Mutual funds	147,642	29,191	-	176,833
U.S. Treasury securities	210,158	-	(595)	209,563
Corporate debt securities	269,579	-	(92)	269,487
Mortgage backed securities	32,742	-	(501)	32,241
	<u>\$ 1,196,186</u>	<u>\$ 239,502</u>	<u>\$ (1,188)</u>	<u>\$ 1,434,500</u>

**6. Unconditional Promises to Give**

Unconditional promises to give at June 30, are as follows:

	2018	2017
Less than one year	\$ 310,910	\$ 493,412
One to five years	283,207	602,904
	594,117	1,096,316
Less:		
Unamortized discount	(9,833)	(23,210)
Net unconditional promises to give	<u>\$ 584,284</u>	<u>\$ 1,073,106</u>

**Boys Hope Girls Hope of St. Louis, Inc.**  
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Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 2.7 percent each year. The amounts are classified on the statements of financial position as follows:

	2018	2017
Unconditional promises to give - current	\$ 310,910	\$ 493,412
Unconditional promises to give - long-term	<u>273,374</u>	<u>579,694</u>
	<u>\$ 584,284</u>	<u>\$ 1,073,106</u>

**7. Property and Equipment**

Property and equipment at June 30, is as follows:

	2018	2017
Land	\$ 471,210	\$ 471,210
Buildings	3,603,455	3,612,355
Automobiles	105,932	108,780
Furniture and fixtures	<u>20,895</u>	<u>85,018</u>
	4,201,492	4,277,363
Less Accumulated Depreciation	<u>282,408</u>	<u>264,982</u>
	<u>\$ 3,919,084</u>	<u>\$ 4,012,381</u>

Depreciation expense for the years ended 2018 and 2017 totaled \$96,479 and \$111,452, respectively.

**8. Line of Credit**

The Organization has a line of credit agreement (the "Agreement") of \$250,000 which expired in October 2018, and is currently in negotiations to be renewed. Borrowings are charged interest at the prime rate (5.00 percent at June 30, 2018) and are secured by the Organization's real property. At June 30, 2018 and 2017, there were no borrowings outstanding under the Agreement.

**Boys Hope Girls Hope of St. Louis, Inc.**  
**Notes to Financial Statements**  
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**9. Long-Term Debt**

The Organization had a note payable of up to \$2,500,000 for construction of the new building. During the year ended June 30, 2017, the note was converted to a 5 year term, maturing in July 2020, with a principal balance of \$500,000. The note is payable in semiannual principal and interest payments of \$55,447, interest at 3.8 percent, collateralized by the Organization's real property. The outstanding note balance at June 30, 2018 and 2017 totaled \$198,711 and \$500,000, respectively.

Maturities of long-term debt as of June 30, 2018, are as follows:

<u>Years ending June 30,</u>	
2019	\$ 51,671
2020	106,307
2021	<u>40,733</u>
	<u>\$ 198,711</u>

**10. Retention Incentive Plan**

The Organization maintains a retention incentive plan for all full-time and part-time employees in good standing. The plan provides that after three years of service, an employee will receive a lump-sum payment equal to 3 percent of his or her salary for those three years. This payment is payable within 60 days following the third year of eligible employment. After the third year, the employee is eligible for annual bonus payments equal to 3 percent of the previous 12 months' salary. For the years ended June 30, 2018 and 2017, expenses related to this plan were \$3,562 and \$9,717, respectively.

**11. Restricted Net Assets**

Temporarily restricted net assets at June 30 are available for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Purpose restrictions	\$ 46,000	\$ 61,700
Time restrictions	270,000	450,000
Purpose restrictions - capital campaign	<u>259,310</u>	<u>586,684</u>
	<u>\$ 575,310</u>	<u>\$ 1,098,384</u>

**Boys Hope Girls Hope of St. Louis, Inc.**  
**Notes to Financial Statements**  
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Permanently restricted net assets at June 30 are restricted to:

	2018	2017
Investment in perpetuity, the income of which is available for general activities	\$ 300,818	\$ 300,818

Assets released from restrictions for the years ended June 30 are as follows:

	2018	2017
Released from purpose restrictions	\$ 343,074	\$ 19,092
Released from time restrictions	300,000	559,142
	\$ 643,074	\$ 578,234

**12. Endowment Funds**

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to the Organization, while also maintaining the purchasing power of those endowment assets over the long-term. Disbursements, other than amounts to pay investment fees, require the approval of the Board of Directors. 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 fund
- 2) The purposes of the Organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Organization
- 7) The investment policies of the Organization

Endowment fund balances at June 30, 2018 and 2017 were \$300,818. These investments are in perpetuity, the income of which is expendable to support the operations of the Organization.

**13. Retirement Plans**

The Organization maintains a contributory retirement savings plan under Section 403(b) of the Internal Revenue Code covering substantially all employees who meet certain eligibility requirements. Participants are allowed to defer a fixed percentage of their salary (not to exceed statutory limits). The plan's provisions do not provide for the Organization to make matching contributions.

**Boys Hope Girls Hope of St. Louis, Inc.**  
**Notes to Financial Statements**  
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**14. Fundraising Events**

During the years ended June 30, 2018 and 2017, the Organization engaged in several fundraising activities, which included the following:

	<u>2018</u>	<u>2017</u>
<b>Golf Tournament/Auction</b>		
Gross revenues	\$ 142,025	\$ 117,590
Gross expenses	<u>45,987</u>	<u>41,365</u>
Net income from golf tournament/auction	<u>96,038</u>	<u>76,225</u>
<b>Dinner/Auction</b>		
Gross revenues	624,451	411,128
Gross expenses	<u>53,550</u>	<u>53,152</u>
Net income from dinner/auction	<u>570,901</u>	<u>357,976</u>
<b>Miscellaneous</b>		
Gross revenues	155,221	164,002
Gross expenses	<u>51,966</u>	<u>56,644</u>
Net income from miscellaneous	<u>103,255</u>	<u>107,358</u>
Total Support from Fundraising Events, net	<u>\$ 770,194</u>	<u>\$ 541,559</u>

**15. Risks and Uncertainties**

**Concentrations**

Contributions from one donor were approximately 45 percent of the Organization's contributions during the year ended June 30, 2017. Unconditional promises to give from three donors were approximately 61 and 66 percent of the Organization's unconditional promises to give at June 30, 2018 and 2017, respectively.

**Concentrations of Risk**

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents, pledges receivable, and investments. The Organization maintains its cash primarily with one financial institution. Deposits at this bank are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization performs ongoing credit evaluations of its donors and maintains allowances, as needed, for potential credit losses. Although the Organization is directly affected by the financial stability of its donor base, management does not believe significant credit risk exists at June 30, 2018. The Organization maintains its investments primarily with one brokerage firm. Securities held at this firm are insured by the Securities Investor Protection Corporation ("SIPC") up to \$500,000. As of June 30, 2018, there were investment balances of \$939,729 in excess of SIPC limits at the brokerage firm.

**Boys Hope Girls Hope of St. Louis, Inc.**  
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**Investments**

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 certain 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 accompanying statements of financial position.