
**BOYS HOPE GIRLS HOPE
OF ILLINOIS, INC.**
FINANCIAL STATEMENTS
JUNE 30, 2023



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Independent Auditors' Report

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

Opinion

We have audited the financial statements of Boys Hope Girls Hope Illinois, Inc. (the Organization) which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, 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.

Basis For Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities For The Audit Of The Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis Of Matter

As discussed in Note 14 to the financial statements, the Organization restated its financial statements as of and for the year ended June 30, 2022 to correct an error. Our opinion is not modified with respect to this matter.

Responsibilities Of Management For The Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities For The Audit Of The Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

RubinBrown LLP

January 25, 2024

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

STATEMENT OF FINANCIAL POSITION

Assets

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
	<u>(As Restated -</u>	
	<u>2023</u>	<u>Note 14)</u>
Cash and cash equivalents	\$ 556,736	\$ 455,424
Investments (Note 5)	529,739	812,129
Promises to give (Note 4)	128,670	17,850
Investments - Board-designated endowment (Notes 5 and 10)	4,977,906	4,610,590
Prepaid expenses and other receivables	43,929	59,090
Other current assets (Note 15)	25,000	—
Employee retention credit receivable (Note 1)	347,872	347,872
Property and equipment (Note 6)	1,484,613	1,427,372
Investments restricted for endowment (Notes 5 and 10)	441,168	378,431
Total Assets	\$ 8,535,633	\$ 8,108,758

Liabilities And Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 137,651	\$ 118,160
Deferred income	25,760	—
Total Liabilities	163,411	118,160

Net Assets

Without donor restrictions		
Invested in property and equipment	1,484,613	1,427,372
Board-designated endowment (Notes 5 and 10)	4,977,906	4,610,590
Board designated for capital campaign	109,776	380,000
Available for operations	755,728	570,328
Total net assets without donor restrictions	7,328,023	6,988,290
With donor restrictions (Notes 8 and 10)	1,044,199	1,002,308
Total Net Assets	8,372,222	7,990,598
Total Liabilities And Net Assets	\$ 8,535,633	\$ 8,108,758

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

STATEMENT OF ACTIVITIES For The Years Ended June 30, 2023 And 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions (As Restated - Note 14)	With Donor Restrictions	Total
Public Support And Revenues						
Contributions (Note 12)	\$ 410,778	\$ 392,872	\$ 803,650	\$ 956,520	\$ 574,240	\$ 1,530,760
Special events	981,026	—	981,026	781,048	—	781,048
Special events - contributed nonfinancial assets (Note 13)	96,646	—	96,646	65,624	—	65,624
Less: Costs of direct benefits to donors	(278,439)	—	(278,439)	(213,271)	—	(213,271)
Contributed nonfinancial assets (Note 13)	286,299	—	286,299	223,068	—	223,068
Investment income (loss)	21,604	—	21,604	(2,685)	—	(2,685)
Endowment investment income designated for current operations (Notes 5 and 10)	301,857	—	301,857	293,034	—	293,034
Other income	33,401	—	33,401	8,139	—	8,139
Net assets released from restrictions (Note 8)	413,718	(413,718)	—	116,400	(116,400)	—
Total Public Support And Revenues	2,266,890	(20,846)	2,246,044	2,227,877	457,840	2,685,717
Expenses						
Program services	1,733,695	—	1,733,695	1,529,794	—	1,529,794
Supporting activities:						
Management and general	180,191	—	180,191	114,610	—	114,610
Fundraising	380,587	—	380,587	292,512	—	292,512
Total Supporting Activities	560,778	—	560,778	407,122	—	407,122
Total Expenses	2,294,473	—	2,294,473	1,936,916	—	1,936,916
Increase (Decrease) In Net Assets From Operations	(27,583)	(20,846)	(48,429)	290,961	457,840	748,801
Other Income (Loss) And Gains						
Endowment investment income (loss) greater than (less than) amount designated for current operations (Note 5)	367,316	62,737	430,053	(1,126,414)	(85,426)	(1,211,840)
Gain on involuntary conversion (Note 6)	—	—	—	18,368	—	18,368
Gain on extinguishment of Paycheck Protection Program Loan (Note 1)	—	—	—	195,145	—	195,145
Total Other Income (Loss) And Gains	367,316	62,737	430,053	(912,901)	(85,426)	(998,327)
Increase (Decrease) In Net Assets	339,733	41,891	381,624	(621,940)	372,414	(249,526)
Net Assets - Beginning Of Year	6,988,290	1,002,308	7,990,598	7,610,230	629,894	8,240,124
Net Assets - End Of Year	\$ 7,328,023	\$ 1,044,199	\$ 8,372,222	\$ 6,988,290	\$ 1,002,308	\$ 7,990,598

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2023

	Program Services	Supporting Activities			Total
		Management And General	Fundraising	Total	
Direct Costs					
Living and education (Note 13)	\$ 619,140	\$ —	\$ —	\$ —	\$ 619,140
Occupancy (Note 13)	138,270	1,832	6,148	7,980	146,250
Supplies	13,864	—	—	—	13,864
Training and development	11,729	—	—	—	11,729
Transportation	33,121	—	—	—	33,121
Allocated Costs					
Bank and credit card fees	—	2,362	2,886	5,248	5,248
Computer services	8,434	1,406	4,217	5,623	14,057
Depreciation	115,024	2,600	—	2,600	117,624
Development	—	—	3,806	3,806	3,806
Insurance	7,776	3,887	3,887	7,774	15,550
Loss on uncollectible promises to give	—	10,250	—	10,250	10,250
Newsletter	2,798	2,798	5,596	8,394	11,192
Office supplies	1,124	2,060	562	2,622	3,746
Other	3,694	3,332	2,313	5,645	9,339
Payments to affiliated organization (Note 12)	26,881	10,339	4,136	14,475	41,356
Postage and shipping	1,015	1,015	2,031	3,046	4,061
Printing and stationery	1,171	586	4,099	4,685	5,856
Professional fees	6,701	16,650	5,889	22,539	29,240
Salaries and wages	603,151	84,850	284,818	369,668	972,819
Taxes and benefits	139,700	36,190	50,165	86,355	226,055
Telephone	102	34	34	68	170
	\$ 1,733,695	\$ 180,191	\$ 380,587	\$ 560,778	\$ 2,294,473

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2022

	Program Services	Supporting Activities			Total
		Management And General	Fundraising	Total	
Direct Costs					
Living and education (Note 13)	\$ 562,697	\$ —	\$ —	\$ —	\$ 562,697
Occupancy	143,493	—	—	—	143,493
Supplies	8,247	—	—	—	8,247
Training and development	15,031	—	—	—	15,031
Transportation	24,061	—	—	—	24,061
Allocated Costs					
Bank and credit card fees	—	1,664	2,033	3,697	3,697
Computer services	8,483	1,414	4,242	5,656	14,139
Depreciation	85,178	—	—	—	85,178
Development	—	—	17,401	17,401	17,401
Insurance	7,347	3,673	3,673	7,346	14,693
Loss on uncollectible promises to give	—	1,000	—	1,000	1,000
Newsletter	2,288	2,289	4,578	6,867	9,155
Office supplies	664	1,215	331	1,546	2,210
Other	336	4,929	2,270	7,199	7,535
Payments to affiliated organization (Note 12)	26,551	10,212	4,085	14,297	40,848
Postage and shipping	849	848	1,697	2,545	3,394
Printing and stationery	510	254	1,780	2,034	2,544
Professional fees	2,673	15,850	—	15,850	18,523
Salaries and wages	531,712	55,978	205,254	261,232	792,944
Taxes and benefits	109,572	15,250	45,134	60,384	169,956
Telephone	102	34	34	68	170
	\$ 1,529,794	\$ 114,610	\$ 292,512	\$ 407,122	\$ 1,936,916

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

STATEMENT OF CASH FLOWS

	For The Years Ended June 30,	
	2023	2022
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 381,624	\$ (249,526)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	117,624	85,178
Unrealized (gains) losses on investments	(465,753)	1,529,965
Realized gains on sale of investments	(223,790)	(506,011)
Gain on involuntary conversion	—	(18,368)
Gain on extinguishment of Paycheck Protection Program loan	—	(195,145)
Changes in assets and liabilities:		
Promises to give	(110,820)	5,650
Prepaid expenses and other receivables	15,161	(33,363)
Other current assets	(25,000)	—
Accounts payable and accrued expenses	19,491	(14,105)
Deferred income	25,760	(23,000)
Net Cash Provided By (Used In) Operating Activities	(265,703)	581,275
Cash Flows From Investing Activities		
Purchases of investments	(1,538,729)	(1,818,612)
Proceeds from sale of investments	1,716,047	2,036,912
Insurance proceeds	—	59,229
Purchases of property and equipment	(174,865)	(253,320)
Net Cash Provided By Investing Activities	2,453	24,209
Net Increase (Decrease) In Cash And Cash Equivalents	(263,250)	605,484
Cash And Cash Equivalents - Beginning Of Year	1,339,751	734,267
Cash And Cash Equivalents - End Of Year	\$ 1,076,501	\$ 1,339,751
Cash And Cash Equivalents Consist Of:		
Cash and cash equivalents per statement of financial position	\$ 556,736	\$ 455,424
Cash equivalents included in investments (Note 5)	519,765	884,327
Cash And Cash Equivalents - End Of Year	\$ 1,076,501	\$ 1,339,751

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 And 2022

1. Summary Of Significant Accounting Policies

Basis Of Accounting

The financial statements of Boys Hope Girls Hope of Illinois, Inc. (the Organization) have been prepared on the accrual basis of accounting.

Basis Of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) for not-for-profit organizations by presenting assets and liabilities within similar groups and classifying them in a way that provides relevant information about the interrelationships, liquidity, and financial flexibility. As a result, the Organization is required to report information regarding its financial position and activities according to the following classes of net assets:

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

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

Estimates And Assumptions

The Organization uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Operating And Nonoperating Activity

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

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, 2023 or 2022.

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

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

Paycheck Protection Program Loan

The Organization had loans that were part of the Paycheck Protection Program (PPP) established under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and administered by the U.S. Small Business Administration (SBA). In accordance with the requirements of the CARES Act, the Organization expected to use the proceeds from the loans exclusively for qualified expenses under the PPP, including payroll costs, mortgage interest, rent and utility costs, as further detailed in the CARES Act and applicable guidance issued by the SBA. The Organization considered the PPP loans to be debt, subject to the provisions of FASB Accounting Standards Codification (ASC) 470, *Debt*.

The loans remained recorded as a liability until either (1) the loan was, in part or wholly, forgiven and the debtor had been legally released or (2) the debtor paid off the loan to the creditor. Once the loan was, in part or wholly, forgiven and legal release was received, the Organization reduced the liability by the amount forgiven and recorded a gain on extinguishment. In January 2022, the Organization received notification from the bank that the SBA had forgiven the outstanding balance of the Organization's final PPP Loan. Therefore, the Organization recognized \$195,145 as a gain on extinguishment of debt for the year ended June 30, 2022.

Employee Retention Credit

The Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) provided an employee retention credit, which was a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The credit was equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages through December 31, 2020.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (*Continued*)

The Consolidated Appropriations Act of 2021 extended and expanded the availability of the employee retention credit through December 31, 2021. However, certain provisions applied only after December 31, 2020. This new legislation amended the employee retention credit to be equal to 70% of qualified wages paid to employees after December 31, 2020, and before December 31, 2021. During 2021, a maximum of \$10,000 in qualified wages for each employee per calendar quarter could be counted in determining the 70% credit. Therefore, the maximum tax credit that could be claimed by an eligible employer in 2021 was \$7,000 per employee per calendar quarter. The Infrastructure Investment and Jobs Act, which was signed into law in November 2021, changed the ending date of availability of the employee retention credit for the Organization to September 30, 2021.

The Organization recognized the employee retention credit when the conditions for earning it were substantially met.

The Organization qualified for the credit beginning in March 2020 and received additional credits for qualified wages through June 30, 2021. At June 30, 2023 and 2022, \$347,872 remains outstanding. The Organization has completed the process of filing the needed amended tax returns to claim this credit and expects collection of these outstanding amounts upon processing of these amended returns.

Public Support And Revenues

The Organization reports gifts of cash and other assets as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Organization has adopted the policy of reporting net assets released from restrictions upon completion of the donor purpose restriction, regardless of whether the related cash has been received.

Special Events

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

Donated Property And Equipment, Materials And Services

As described in Note 13, various auction items, tuition scholarships, rent, materials and services are donated to the Organization. Donated auction items, tuition scholarships, rent, 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.

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 (Network Headquarters). Each U.S. affiliate is separately incorporated in its respective state, but is covered by a group 501(c)(3) exemption. Network Headquarters 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.

Reclassifications

Certain 2022 balances have been reclassified, where appropriate, to conform to the 2023 financial statement presentation.

New Accounting Pronouncement

Effective July 1, 2022, the Organization adopted ASC Topic 842, *Leases*, which modifies the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract, the lessee and the lessor. See Note 15 for further disclosure of a lease agreement entered into by the Organization subsequent to year end where the Organization is the lessor.

2. Operations

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

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

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

3. Available Resources And Liquidity

As of June 30, 2023 and 2022, 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>2023</u>	<u>2022</u>
Financial Assets		
Cash and cash equivalents	\$ 556,736	\$ 455,424
Promises to give	128,670	17,850
Investments	5,948,813	5,801,150
Total Financial Assets	<u>6,634,219</u>	<u>6,274,424</u>
Less Amounts Not Available To Be Used Within One Year		
Board-designated endowment	4,977,906	4,610,590
Board-designated for capital campaign	109,776	380,000
Net assets with donor restrictions	1,044,199	1,002,308
Total Financial Assets Not Available To Be Used Within One Year	<u>6,131,881</u>	<u>5,992,898</u>
Financial Assets Available To Meet Cash Needs For General Expenditures Within One Year	<u>\$ 502,338</u>	<u>\$ 281,526</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 and capital campaign funds, and an available line of credit.

4. Promises To Give

Promises to give consist of the following:

	<u>2023</u>	<u>2022</u>
Gala fundraiser	\$ 55,000	\$ 8,550
Taste of Hope fundraiser	14,070	2,800
Golf tournament	59,600	6,500
	<u>\$ 128,670</u>	<u>\$ 17,850</u>

All promises to give are collectible within one year.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

5. Investments

Investments consist of:

	<u>2023</u>	<u>2022</u>
Cash equivalents	\$ 519,765	\$ 884,327
Mutual funds	605,671	207,938
Equities	3,331,960	3,450,614
U.S. treasury securities	621,199	185,132
Corporate bonds	870,218	1,073,139
	<u>\$ 5,948,813</u>	<u>\$ 5,801,150</u>

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

	<u>2023</u>	<u>2022</u>
Investments	\$ 529,739	\$ 812,129
Investments - Board-designated endowment (Note 10)	4,977,906	4,610,590
Donor-restricted endowment (Note 10)	441,168	378,431
	<u>\$ 5,948,813</u>	<u>\$ 5,801,150</u>

Investment income (loss) consists of:

	<u>2023</u>	<u>2022</u>
Interest and dividends, net of fees	\$ 63,971	\$ 102,463
Realized gains	223,790	506,011
Unrealized gains (losses)	465,753	(1,529,965)
	<u>\$ 753,514</u>	<u>\$ (921,491)</u>

Investment income (loss) is reported net of investment fees of \$35,981 and \$42,012 for 2023 and 2022, 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.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

6. Property And Equipment

Property and equipment consist of:

	<u>2023</u>	<u>2022</u>
Buildings and improvements	\$ 3,001,285	\$ 2,625,122
Computer equipment	51,432	51,432
Furniture and equipment	184,225	184,225
Vehicles	150,909	98,887
Construction in progress	—	253,320
	<u>3,387,851</u>	<u>3,212,986</u>
Accumulated depreciation	<u>(1,903,238)</u>	<u>(1,785,614)</u>
	<u>\$ 1,484,613</u>	<u>\$ 1,427,372</u>

During 2021, a portion of the Organization's buildings were damaged in a storm, resulting in the recognition of a gain from involuntary conversion as well as an impairment of previously capitalized building costs. During 2021, insurance proceeds of \$40,861 were awarded, resulting in a gain on involuntary conversion of \$35,582. The entirety of these proceeds were received during 2022.

During 2022, a fully depreciated vehicle was stolen and insurance proceeds of \$18,368 were received, resulting in a gain on involuntary conversion of \$18,368.

7. Line Of Credit

The Organization has a business line of credit with a maximum draw of \$300,000, which matures on May 26, 2026. The agreement is secured by real property. The line of credit bears interest at the Prime Rate minus 0.75% (7.50% at June 30, 2023) and is payable monthly. No balance was outstanding at June 30, 2023 or 2022.

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>2023</u>	<u>2022</u>
College aid	\$ 321,631	\$ 322,891
Scholarships	1,250	12,250
Boys and girls home expenses	1,832	1,832
Capital campaign	—	159,378
Time restriction	269,410	117,850
Other	8,908	9,676
Time and purpose restrictions	603,031	623,877
Donor-restricted endowment (Note 10)	441,168	378,431
	\$ 1,044,199	\$ 1,002,308

Net assets were released from donor restrictions as follows:

	<u>2023</u>	<u>2022</u>
College aid	\$ 78,460	\$ 62,003
Scholarships	21,000	17,000
Boys and girls home expenses	—	1,259
Capital Campaign	190,408	—
Time restriction	117,850	23,500
Other	6,000	12,638
	\$ 413,718	\$ 116,400

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, 2023			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 519,765	\$ —	\$ —	\$ 519,765
Mutual funds				
Diversified emerging markets	222,791	—	—	222,791
Large-cap value	370,966	—	—	370,966
Large-cap growth	11,914	—	—	11,914
Equities				
Consumer goods	669,646	—	—	669,646
Financial	417,521	—	—	417,521
Healthcare	472,234	—	—	472,234
Industrial goods	548,807	—	—	548,807
Services	233,500	—	—	233,500
Technology	990,252	—	—	990,252
U.S. treasury securities	—	621,199	—	621,199
Corporate bonds				
Consumer goods	—	127,732	—	127,732
Financial	—	49,424	—	49,424
Healthcare	—	272,799	—	272,799
Industrial goods	—	50,522	—	50,522
Services	—	49,258	—	49,258
Technology	—	320,483	—	320,483
	\$ 4,457,396	\$ 1,491,417	\$ —	\$ 5,948,813

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 884,327	\$ —	\$ —	\$ 884,327
Mutual funds				
Diversified emerging markets	185,675	—	—	185,675
Large-cap value	12,332	—	—	12,332
Large-cap growth	9,931	—	—	9,931
Equities				
Consumer goods	611,015	—	—	611,015
Financial	435,851	—	—	435,851
Healthcare	565,933	—	—	565,933
Industrial goods	414,477	—	—	414,477
Services	342,176	—	—	342,176
Technology	1,081,162	—	—	1,081,162
U.S. treasury securities	—	185,132	—	185,132
Corporate bonds				
Consumer goods	—	374,540	—	374,540
Financial	—	100,818	—	100,818
Healthcare	—	177,434	—	177,434
Industrial goods	—	101,139	—	101,139
Technology	—	319,208	—	319,208
	\$ 4,542,879	\$ 1,258,271	\$ —	\$ 5,801,150

At June 30, 2023 and 2022, the Level 2 assets utilize the following valuation techniques and inputs:

U.S. Treasury Securities and Corporate Bonds: The fair value of investments in U.S. treasury securities and 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 2023 and 2022, 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.

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;

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

- (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 Asset Composition

As of June 30, 2023 and 2022, the Organization had the following endowment funds:

	2023			
	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Endowment Earnings	Investments In Perpetuity	
Board-designated endowment	\$ 4,977,906	\$ —	\$ —	\$ 4,977,906
Donor-restricted endowment funds	—	(22,689)	463,857	441,168
	\$ 4,977,906	\$ (22,689)	\$ 463,857	\$ 5,419,074

	2022			
	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Endowment Earnings	Investments In Perpetuity	
Board-designated endowment	\$ 4,610,590	\$ —	\$ —	\$ 4,610,590
Donor-restricted endowment funds	—	(85,426)	463,857	378,431
	\$ 4,610,590	\$ (85,426)	\$ 463,857	\$ 4,989,021

Changes In Endowment Assets For The Fiscal Years Ended June 30, 2023 And 2022:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Endowment Earnings	Investments In Perpetuity	
Endowment assets at July 1, 2021	\$ 5,737,004	\$ —	\$ 463,857	\$ 6,200,861
Total investment loss	(833,380)	(85,426)	—	(918,806)
Appropriation of endowment assets for expenditure	(293,034)	—	—	(293,034)
Endowment assets at June 30, 2022	4,610,590	(85,426)	463,857	4,989,021
Total investment income	669,173	62,737	—	731,910
Appropriation of endowment assets for expenditure	(301,857)	—	—	(301,857)
Endowment assets at June 30, 2023	\$ 4,977,906	\$ (22,689)	\$ 463,857	\$ 5,419,074

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. Deficiencies of this nature exist in three donor-restricted endowment funds, which together have an original gift value of \$463,857, a current fair value of \$441,168, resulting in a deficiency of \$22,689 as of June 30, 2023. As of June 30, 2022, the three donor-restricted endowment funds had a fair value of \$378,431, resulting in a deficiency of \$85,426. These deficiencies resulted from unfavorable financial market fluctuations and the Organization expects these funds to recover their losses over the next year.

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

Return Objectives And Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods and board-designated endowment assets which can be utilized at the Board's direction. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce an average annual rate of return of 8% over the long term, while assuming a moderate level of investment risk. The Organization expects its actual rate of return in any given year to vary from this rate.

Strategies Employed For Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy And How The Investment Objectives Relate To Spending Policy

The Organization has a policy of appropriating for distribution each year 5% of its endowment fund's fair value at March 31 prior to the beginning of the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

11. Retirement Plan

The Organization offers a 401(k) plan to eligible employees. The plan provides for discretionary employer contributions of up to 3% of eligible compensation and a mandatory match of 100% of the first 3% of eligible employee contributions. Total contributions by the Organization amounted to \$11,772 and \$13,755 in 2023 and 2022, respectively.

12. Related Parties And Affiliates

The Organization has entered into a cooperative agreement with Network Headquarters. This agreement, among other things, provides for support of Network Headquarters, in a fixed amount, for funding of new programs worldwide, college aid, and for Network Headquarters to perform certain administrative services. Support paid under this agreement was \$41,356 and \$40,848 in 2023 and 2022, respectively. No amounts were payable at June 30, 2023 and 2022.

For the years ended June 30, 2023 and 2022, the Organization received contributions of \$23,136 and \$59,998, respectively, from various members of the Board of Directors.

13. Contributed Nonfinancial Assets

The Organization received the following contributed nonfinancial assets:

	<u>2023</u>	<u>2022</u>
Tuition scholarships	\$ 236,987	\$ 200,426
Auction items	96,646	65,624
Rent	21,000	—
Maintenance services	19,685	19,685
Goods	8,627	2,957
	<u>\$ 382,945</u>	<u>\$ 288,692</u>

Donated tuition scholarships are recorded at fair market value based on publicized tuition rates and are included in living and education costs in the statement of functional expenses.

The Organization receives items to be sold at auctions held during the Organization's various fundraising events. Contributed auction items are valued at the gross selling prices received. The proceeds from the sale of auction items are used for general purposes.

Donated rent and goods are valued at the price for equivalent items on publicly available websites.

Donated services are valued based on current rates for similar services.

All donated services and assets were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets.

14. Prior Period Adjustment

The Organization has restated its previously issued 2022 financial statements to correct an error related to the recognition of eligible employee retention credits. As a result, employee retention credit receivable and net assets without donor restrictions and available for operations at July 1, 2021 and June 30, 2022 increased by \$347,872. There was no effect on the decrease in net assets for the year ended June 30, 2022.

15. Subsequent Events

During August 2023, to allow the Organization to continue to expand its programming and serve more youth, the Organization purchased an additional home in Evanston, Illinois for \$815,000. At June 30, 2023, 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.

At the time of purchase, the home was occupied by eight tenants who each signed a one-year lease agreement with the Organization beginning September 1, 2023 and ending August 27, 2024. Under ASC 842, the Organization classifies the leases as operating leases and elects not to separate the lease component, comprised of monthly rents from tenants, from the associated non-lease components, comprised of fees related to utility costs.

The following is a summary of the minimum future rentals to be received under the operating lease:

<u>Year</u>	<u>Amount</u>
2024	\$ 72,500
2025	14,500
	<u>\$ 87,000</u>

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