
**BOYS HOPE GIRLS HOPE
OF ILLINOIS, INC.**
FINANCIAL STATEMENTS
JUNE 30, 2024



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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, 2024 and 2023, 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, 2024 and 2023, 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.

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

November 25, 2024

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

STATEMENT OF FINANCIAL POSITION

Assets

	June 30,	
	2024	2023
Cash, restricted cash and cash equivalents (Note 13)	\$ 336,498	\$ 556,736
Promises to give - short-term (Note 4)	958,655	128,670
Employee retention credit receivable (Note 1)	347,872	347,872
Prepaid expenses and other receivables	45,536	43,929
Other current assets (Note 13)	—	25,000
Promises to give - long-term, net (Note 4)	1,146,740	—
Investments (Note 5)	1,138,832	529,739
Investments - Board-designated endowment (Notes 5 and 9)	4,471,960	4,977,906
Property and equipment, net (Note 6)	2,397,771	1,484,613
Investments restricted for endowment (Notes 5 and 9)	463,857	441,168
Total Assets	\$ 11,307,721	\$ 8,535,633

Liabilities And Net Assets

Liabilities

Accounts payable and accrued expenses (Note 13)	\$ 179,611	\$ 137,651
Deferred income	—	25,760
Total Liabilities	179,611	163,411

Net Assets

Without donor restrictions		
Invested in property and equipment	2,397,771	1,484,613
Board-designated endowment (Notes 5 and 9)	4,471,960	4,977,906
Board designated for capital campaign	109,776	109,776
Available for operations	1,405,289	755,728
Total net assets without donor restrictions	8,384,796	7,328,023
With donor restrictions (Notes 8 and 9)	2,743,314	1,044,199
Total Net Assets	11,128,110	8,372,222

Total Liabilities And Net Assets	\$ 11,307,721	\$ 8,535,633
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BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

STATEMENT OF ACTIVITIES For The Years Ended June 30, 2024 And 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support And Revenues						
Contributions (Notes 11 and 15)	\$ 671,459	\$ 3,141,276	\$ 3,812,735	\$ 333,853	\$ 392,872	\$ 726,725
Special events (Notes 11 and 15)	737,180	—	737,180	1,057,951	—	1,057,951
Special events - contributed nonfinancial assets (Note 12)	5,875	—	5,875	96,646	—	96,646
Less: Costs of direct benefits to donors	(267,571)	—	(267,571)	(278,439)	—	(278,439)
Contributed nonfinancial assets (Note 12)	251,721	—	251,721	286,299	—	286,299
Investment income	30,482	—	30,482	21,604	—	21,604
Endowment investment income designated for current operations (Notes 5 and 9)	235,301	27,393	262,694	301,857	—	301,857
Other income (Note 13)	90,375	—	90,375	33,401	—	33,401
Net assets appropriated for expenditure (Note 9)	27,393	(27,393)	—	—	—	—
Net assets released from restrictions (Note 8)	1,464,850	(1,464,850)	—	413,718	(413,718)	—
Total Public Support And Revenues	3,247,065	1,676,426	4,923,491	2,266,890	(20,846)	2,246,044
Expenses						
Program services	1,708,807	—	1,708,807	1,733,695	—	1,733,695
Supporting activities:						
Management and general	198,493	—	198,493	180,191	—	180,191
Fundraising	530,519	—	530,519	380,587	—	380,587
Total Supporting Activities	729,012	—	729,012	560,778	—	560,778
Total Expenses	2,437,819	—	2,437,819	2,294,473	—	2,294,473
Increase (Decrease) In Net Assets From Operations	809,246	1,676,426	2,485,672	(27,583)	(20,846)	(48,429)
Other Income						
Endowment investment income greater than amount designated for current operations (Note 5)	247,527	22,689	270,216	367,316	62,737	430,053
Increase In Net Assets	1,056,773	1,699,115	2,755,888	339,733	41,891	381,624
Net Assets - Beginning Of Year	7,328,023	1,044,199	8,372,222	6,988,290	1,002,308	7,990,598
Net Assets - End Of Year	\$ 8,384,796	\$ 2,743,314	\$ 11,128,110	\$ 7,328,023	\$ 1,044,199	\$ 8,372,222

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended June 30, 2024

	Program Services	Supporting Activities			Total
		Management And General	Fundraising	Total	
Direct Costs					
Living and education (Note 12)	\$ 603,819	\$ —	\$ —	\$ —	\$ 603,819
Occupancy (Note 12)	157,745	15,629	7,472	23,101	180,846
Supplies	11,172	—	—	—	11,172
Training and development	11,903	—	—	—	11,903
Transportation	25,439	—	—	—	25,439
Allocated Costs					
Bank and credit card fees	—	2,219	2,713	4,932	4,932
Computer services	10,595	1,766	5,297	7,063	17,658
Depreciation	118,821	20,679	—	20,679	139,500
Development events	—	—	10,517	10,517	10,517
Insurance	10,018	5,009	5,009	10,018	20,036
Loss on uncollectible promises to give	—	8,000	—	8,000	8,000
Newsletter	2,132	2,132	4,264	6,396	8,528
Office supplies	739	1,356	370	1,726	2,465
Other	3,365	2,262	1,519	3,781	7,146
Payments to affiliated organization (Note 11)	28,310	10,889	4,356	15,245	43,555
Postage and shipping	724	723	1,446	2,169	2,893
Printing and stationery	2,218	1,109	7,761	8,870	11,088
Professional fees	3,134	29,500	70,636	100,136	103,270
Salaries and wages	584,165	64,802	358,467	423,269	1,007,434
Taxes and benefits	134,409	32,384	50,658	83,042	217,451
Telephone	99	34	34	68	167
	\$ 1,708,807	\$ 198,493	\$ 530,519	\$ 729,012	\$ 2,437,819

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 12)	\$ 619,140	\$ —	\$ —	\$ —	\$ 619,140
Occupancy (Note 12)	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 11)	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 CASH FLOWS

	For The Years	
	Ended June 30,	
	2024	2023
Cash Flows From Operating Activities		
Increase in net assets	\$ 2,755,888	\$ 381,624
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	139,500	117,624
Unrealized gains on investments	(93,639)	(465,753)
Realized gains on sale of investments	(394,732)	(223,790)
Contributions restricted for long-term investment	(2,890,038)	—
Changes in assets and liabilities:		
Promises to give	102,320	(110,820)
Prepaid expenses and other receivables	(1,607)	15,161
Other current assets	25,000	(25,000)
Accounts payable and accrued expenses	41,960	19,491
Deferred income	(25,760)	25,760
Net Cash Used In Operating Activities	(341,108)	(265,703)
Cash Flows From Investing Activities		
Purchases of investments	(1,137,046)	(1,538,729)
Proceeds from sale of investments	2,088,257	1,716,047
Purchases of property and equipment	(1,052,658)	(174,865)
Net Cash Provided By (Used In) Investing Activities	(101,447)	2,453
Cash Flows Provided By Financing Activities		
Proceeds from contributions restricted for long-term investment	810,993	—
Net Increase (Decrease) In Cash, Restricted Cash And Cash Equivalents	368,438	(263,250)
Cash, Restricted Cash And Cash Equivalents - Beginning Of Year	1,076,501	1,339,751
Cash, Restricted Cash And Cash Equivalents - End Of Year	\$ 1,444,939	\$ 1,076,501
Cash, Restricted Cash And Cash Equivalents Consist Of:		
Cash, restricted cash and cash equivalents per the statement of financial position	\$ 336,498	\$ 556,736
Cash equivalents included in investments	1,108,441	519,765
	\$ 1,444,939	\$ 1,076,501

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 And 2023

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.

Cash, Restricted Cash And Cash Equivalents

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

Restricted cash consist of security deposit funds collected from tenants (Note 13).

The Organization maintains its cash balances with financial institutions with strong credit ratings. At times, such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit, which is \$250,000 per financial institution. In addition, some cash and cash equivalents consist of money market funds, which are not covered by FDIC but are covered by Securities Investor Protection Corporation (SIPC) insurable limits. At June 30, 2024, cash, restricted and cash equivalents in excess of FDIC and SIPC insurance limits approximated \$882,000.

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, 2024 or 2023.

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.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (*Continued*)

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Property And Equipment

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

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

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.

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.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (*Continued*)

The Organization qualified for the credit beginning in March 2020 and received additional credits for qualified wages through June 30, 2021. At June 30, 2024 and 2023, \$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.

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 12, 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.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (*Continued*)

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

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.

New Accounting Pronouncement

Effective July 1, 2023, the Organization adopted Accounting Standards Codification (ASC) Topic 326, *Financial Instruments - Credit Losses*, using a modified retrospective approach. The standard replaces the previous incurred loss model and requires entities to record an estimate of expected losses on the financial assets for the remaining estimated life of the asset. This estimate includes consideration of historical experience, current conditions, and reasonable and supportable forecasts. The adoption did not have an impact on the financial statements.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

Reclassification

Certain 2023 balances have been reclassified, where appropriate, to conform to the 2024 financial statement presentation.

Subsequent Events

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

2. Operations

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

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

3. Available Resources And Liquidity

As of June 30, 2024 and 2023, 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>2024</u>	<u>2023</u>
Financial Assets		
Cash, restricted cash and cash equivalents	\$ 336,498	\$ 556,736
Promises to give	2,105,395	128,670
Investments	6,074,649	5,948,813
Total Financial Assets	8,516,542	6,634,219
Less Amounts Not Available To Be Used Within One Year		
Board-designated endowment	4,471,960	4,977,906
Board-designated for capital campaign	109,776	109,776
Net assets with donor restrictions	2,743,314	1,044,199
Total Financial Assets Not Available To Be Used Within One Year	7,325,050	6,131,881
Financial Assets Available To Meet Cash Needs For General Expenditures Within One Year	\$ 1,191,492	\$ 502,338

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

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.

To support the Organization's capital campaign, a significant amount of donor-restricted contributions have been received for future capital projects (Note 8). Although cash has been expended for construction costs (Note 6), the majority of these gifts will remain donor restricted until the projects are complete.

4. Promises To Give

Promises to give consist of the following:

	<u>2024</u>	<u>2023</u>
Gala fundraiser	\$ 4,250	\$ 55,000
Taste of Hope fundraiser	2,100	14,070
Operations	20,000	—
Golf tournament	—	59,600
Capital campaign	2,322,304	—
	<u>2,348,654</u>	<u>128,670</u>
Less: Present value discount	(243,259)	—
	<u>\$ 2,105,395</u>	<u>\$ 128,670</u>

At June 30, 2024 and 2023, pledges receivable are expected to be collected as follows:

	<u>2024</u>	<u>2023</u>
Less than one year	\$ 958,655	\$ 128,670
One to five years	1,389,999	—
Less: Present value discount	(243,259)	—
	<u>\$ 2,105,395</u>	<u>\$ 128,670</u>

Pledges receivable are recoded after discounting to the present value of future cash flows using a discount rate of 8.5%.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

5. Investments

Investments consist of:

	<u>2024</u>	<u>2023</u>
Cash equivalents	\$ 1,108,441	\$ 519,765
Mutual funds	381,592	605,671
Equities	3,155,173	3,331,960
U.S. treasury securities	330,995	621,199
Corporate bonds	1,098,448	870,218
	<u>\$ 6,074,649</u>	<u>\$ 5,948,813</u>

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

	<u>2024</u>	<u>2023</u>
Investments	\$ 1,138,832	\$ 529,739
Investments - Board-designated endowment (Note 9)	4,471,960	4,977,906
Donor-restricted endowment (Note 9)	463,857	441,168
	<u>\$ 6,074,649</u>	<u>\$ 5,948,813</u>

Investment income consists of:

	<u>2024</u>	<u>2023</u>
Interest and dividends, net of fees	\$ 75,021	\$ 63,971
Realized gains	394,732	223,790
Unrealized gains	93,639	465,753
	<u>\$ 563,392</u>	<u>\$ 753,514</u>

Investment income is reported net of investment fees of \$35,348 and \$35,981 for 2024 and 2023, 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 9). From time to time, the budget may exceed the actual investment return.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (*Continued*)

The Organization accounts for certain assets at fair value as required by generally accepted accounting principles. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The valuation techniques are required to maximize the use of observable inputs and minimize the use of unobservable inputs.

There are three general valuation techniques that may be used to measure fair value, as described below:

- *Market approach* - Uses prices and other relevant information generated by market transactions involving identical or comparable assets 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 include 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, 2024			Total
	Level 1	Level 2	Level 3	
Cash equivalents	\$ 1,108,441	\$ —	\$ —	\$ 1,108,441
Mutual funds				
Diversified emerging markets	188,059	—	—	188,059
Large-cap value	180,000	—	—	180,000
Large-cap growth	13,533	—	—	13,533
Equities				
Consumer goods	572,736	—	—	572,736
Financial	485,796	—	—	485,796
Healthcare	417,891	—	—	417,891
Industrial goods	494,833	—	—	494,833
Services	193,525	—	—	193,525
Technology	990,392	—	—	990,392
U.S. treasury securities	—	330,995	—	330,995
Corporate bonds				
Consumer goods	—	255,118	—	255,118
Financial	—	175,064	—	175,064
Healthcare	—	99,252	—	99,252
Industrial goods	—	124,295	—	124,295
Services	—	49,513	—	49,513
Technology	—	395,206	—	395,206
	\$ 4,645,206	\$ 1,429,443	\$ —	\$ 6,074,649

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

	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

At June 30, 2024 and 2023, 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 2024 and 2023, there were no changes in the methods and/or assumptions utilized to derive the fair value of the Organization's investments.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

6. Property And Equipment

Property and equipment consist of:

	2024	2023
Buildings and improvements	\$ 3,830,443	\$ 3,001,285
Computer equipment	51,432	51,432
Furniture and equipment	184,225	184,225
Vehicles	150,909	150,909
Construction in progress	223,500	—
	4,440,509	3,387,851
Accumulated depreciation	(2,042,738)	(1,903,238)
	\$ 2,397,771	\$ 1,484,613

Depreciation and amortization expense for the years ended December 31, 2024 and 2023 amounted to \$139,500 and \$117,624, respectively.

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% (7.75% at June 30, 2024) and is payable monthly. No balance was outstanding at June 30, 2024 or 2023.

8. Net Assets With Donor Restrictions

Net assets include the following donor restrictions:

	2024	2023
College aid	\$ 364,870	\$ 413,631
Scholarships	1,250	250
Boys and girls home expenses	2,582	1,832
Capital campaign	1,880,510	—
Time restriction	26,350	178,410
Other	3,895	8,908
Time and purpose restrictions	2,279,457	603,031
Donor-restricted endowment (Note 9)	463,857	441,168
	\$ 2,743,314	\$ 1,044,199

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (*Continued*)

Net assets were released from donor restrictions as follows:

	<u>2024</u>	<u>2023</u>
College aid	\$ 145,860	\$ 78,460
Scholarships	—	21,000
Capital Campaign	1,009,528	190,408
Time restriction	178,410	117,850
Other	131,052	6,000
	<u>\$ 1,464,850</u>	<u>\$ 413,718</u>

9. 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;
- (4) The possible effect of inflation and deflation;

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

- (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, 2024 and 2023, the Organization had the following endowment funds:

	2024			
	With Donor Restrictions			Total
	Without Donor Restrictions	Unappropriated Endowment Earnings	Investments In Perpetuity	
Board-designated endowment	\$ 4,471,960	\$ —	\$ —	\$ 4,471,960
Donor-restricted endowment funds	—	—	463,857	463,857
	<u>\$ 4,471,960</u>	<u>\$ —</u>	<u>\$ 463,857</u>	<u>\$ 4,935,817</u>

	2023			
	With Donor Restrictions			Total
	Without Donor Restrictions	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
	<u>\$ 4,977,906</u>	<u>\$ (22,689)</u>	<u>\$ 463,857</u>	<u>\$ 5,419,074</u>

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

Changes In Endowment Assets For The Fiscal Years Ended June 30, 2024 And 2023:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Endowment Earnings	Investments In Perpetuity	
Endowment assets at July 1, 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
Withdrawal from board-designated endowment	(753,473)	—	—	(753,473)
Total investment income	482,828	50,082	—	532,910
Appropriation of endowment assets for expenditure	(235,301)	(27,393)	—	(262,694)
Endowment assets at June 30, 2024	\$ 4,471,960	\$ —	\$ 463,857	\$ 4,935,817

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. As of June 30, 2023, deficiencies of this nature existed in three donor-restricted endowment funds, which together had an original gift value of \$463,857. The three donor-restricted endowment funds had a fair value of \$441,168, resulting in a deficiency of \$22,689. These deficiencies resulted from unfavorable financial market fluctuations and these funds have recovered their losses during 2024. As of June 30, 2024, there were no such deficiencies.

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.

10. 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 \$16,707 and \$11,772 in 2024 and 2023, respectively.

11. 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 \$43,555 and \$41,356 in 2024 and 2023, respectively. No amounts were payable at June 30, 2024 or 2023.

For the years ended June 30, 2024 and 2023, the Organization received contributions of \$706,036 and \$23,136, respectively, from various members of the Board of Directors.

12. Contributed Nonfinancial Assets

The Organization received the following contributed nonfinancial assets:

	<u>2024</u>	<u>2023</u>
Tuition scholarships	\$ 227,017	\$ 236,987
Auction items	5,875	96,646
Rent	21,000	21,000
Maintenance services	—	19,685
Goods	3,704	8,627
	<u>\$ 257,596</u>	<u>\$ 382,945</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.

13. Operating Lease

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. The lease was renewed by the eight tenants for an additional one-year period beginning September 1, 2024 and ending August 27, 2025. 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.

Lease income for the year ended June 30, 2024 totaled \$79,872 and is included in other income on the statement of activities.

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

<u>Year</u>	<u>Amount</u>
2025	\$ 90,625
2026	15,225
	<u>\$ 105,850</u>

The Organization has collected a security deposit from these tenants in the amount of \$7,250 at June 30, 2024, which is included in cash, restricted cash, and cash equivalents as well as accounts payable and accrued expenses on the statement of financial position.

14. Commitments

In December 2023, the Organization entered into a contract for construction with Airoom totaling \$1,070,000, of which \$856,000 has not been completed at June 30, 2024.

15. Concentrations

During the year ended June 30, 2024, approximately 32% of public support was from 2 donors, primarily for the Organization's capital campaign. In addition, at June 30, 2024, approximately 60% of promises to give (all for the Organization's capital campaign) were from three donors.

No such concentrations noted at June 30, 2023.