

BOYS HOPE GIRLS HOPE OF KANSAS CITY, INC.
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2018

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O 816.822.7300

F 816.926.9888

DBordmancpa.com

Independent Auditor's Report

To the Board of Directors
Boys Hope Girls Hope of Kansas City, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Boys Hope Girls Hope of Kansas City, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 of 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 auditor's 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 Kansas City, 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.

A handwritten signature in black ink that reads "D Bordman CPA LLC". The signature is written in a cursive, flowing style.

D Bordman CPA LLC
November 8, 2018

Boys Hope Girls Hope of Kansas City, Inc.
Statement of Financial Position
June 30, 2018

Assets

Current Assets:

Cash and cash equivalents	\$ 58,973
Prepaid expenses	1,684
Pledges receivable	7,020
Investments	22,624
Total Current Assets	<u>90,301</u>

Fixed Assets:

Land	159,125
Building and improvements	697,575
Vehicles	61,881
Furniture and fixtures	30,292
Computer, software and equipment	16,823
Total Fixed Assets	<u>965,696</u>
Less accumulated depreciation	<u>(361,763)</u>
Net Fixed Assets	<u>603,933</u>
Total Assets	<u><u>\$ 694,234</u></u>

The accompanying notes are an integral part of these financial statements.

Boys Hope Girls Hope of Kansas City, Inc.
Statement of Financial Position
June 30, 2018

Liabilities and Net Assets

Current Liabilities:

Accounts payable	16,081
Accrued payroll liabilities	29,708
Related party payables	62,842
Line of credit	<u>157,007</u>
Total Current Liabilities	<u>265,638</u>

Total Liabilities	<u>265,638</u>
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Net Assets:

Unrestricted	<u>384,796</u>
Restricted:	
Temporarily restricted	20,605
Permanently restricted	<u>23,195</u>
Total Restricted	<u>43,800</u>

Total Net Assets	<u>428,596</u>
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Total Liabilities and Net Assets	<u><u>\$ 694,234</u></u>
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The accompanying notes are an integral part of these financial statements.

Boys Hope Girls Hope of Kansas City, Inc.
Statement of Activities
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support:				
Contributions	\$ 291,743	\$ 27,950	\$ 23,195	\$ 342,888
Special events, net of cost of goods sold of \$23,544	192,422	-	-	192,422
Total Support	<u>484,165</u>	<u>27,950</u>	<u>23,195</u>	<u>535,310</u>
Revenue and gains (losses):				
Other income	7,025	-	-	7,025
Investment income (loss), net	(844)	-	-	(844)
Loss on disposal of assets	(3,676)	-	-	(3,676)
Total Revenue	<u>486,670</u>	<u>27,950</u>	<u>23,195</u>	<u>537,815</u>
Net Assets Released From Restriction due to Satisfaction of Purpose	10,336	(10,336)	-	-
Total Support and Revenue	<u>10,336</u>	<u>(10,336)</u>	<u>-</u>	<u>-</u>
Expenses:				
Program Services	462,439	-	-	462,439
Supporting Services:				
Fundraising	35,194	-	-	35,194
Management/administrative	109,591	-	-	109,591
Total Expenses	<u>607,224</u>	<u>-</u>	<u>-</u>	<u>607,224</u>
Change in net assets	(110,218)	17,614	23,195	(69,409)
Net assets, beginning of year	495,014	2,991	-	498,005
Net assets, end of year	<u>\$ 384,796</u>	<u>\$ 20,605</u>	<u>\$ 23,195</u>	<u>\$ 428,596</u>

The accompanying notes are an integral part of these financial statements.

Boys Hope Girls Hope of Kansas City, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2018

Cash Flows from Operating Activities:

Change in net assets	\$ (69,409)
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Adjustments to Reconcile Change in Net Assets to Net Cash

Provided by Operating Activities

Depreciation	34,064
Bad debt	1,000
Contribution of fixed assets	(6,000)
Loss on disposal of fixed assets	3,676
Contribution of investment securities	(57,674)
Net realized/unrealized loss on investments	1,449
Changes in:	
Pledges receivable	11,230
Prepays	(1,684)
Accounts payable and accrued payroll liabilities	11,143
Net Cash Used in Operating Activities	(72,205)

Cash Flows from Investing Activities:

Purchase of investment securities	(22,812)
Proceeds from sale of investment securities	56,413
Net Cash Provided by Investing Activities	33,601

Cash Flows from Financing Activities:

Net repayments on line of credit	(5,102)
Net Cash Used in Financing Activities	(5,102)

Net increase in cash and cash equivalents	(43,706)
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Cash and cash equivalents, beginning of year	102,679
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Cash and cash equivalents, end of year	\$ 58,973
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Supplementary Cash Flow Information:

Cash paid for interest	\$ 7,254
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Supplemental disclosures of noncash investing and financing activities:

Contribution of fixed assets	\$ 6,000
Contribution of investment securities	\$ 57,674

The accompanying notes are an integral part of these financial statements.

Boys Hope Girls Hope of Kansas City, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program Services	Supporting Services		Total
		Fundraising	Management / Administrative	
Salaries and payroll	\$ 239,641	\$ 14,000	\$ 46,030	299,671
Payroll taxes	20,791	1,215	3,993	25,999
Employee benefits	36,473	2,131	7,006	45,610
Automobile expense	10,076			10,076
Office supplies	395	609	609	1,613
Printing and stationary	955	954	471	2,380
Postage/shipping	274	274	274	822
Insurance	16,981	-	-	16,981
Interest			7,254	7,254
Bank fees			4,131	4,131
Workshops/Seminars	1,291		1,123	2,414
Depreciation	34,064			34,064
Memberships	128		848	976
Miscellaneous	4,005	1,200	17,624	22,829
Rent	5,474	682	2,244	8,400
Utilities	17,165			17,165
Promotion	2,186	2,604	778	5,568
Professional fees	3,088	11,525	16,045	30,658
Travel	3,768	-	121	3,889
Repairs and maintenance	5,358	-	40	5,398
Domestic supplies	2,689			2,689
Youth assistance	57,637			57,637
Bad debt			1,000	1,000
Total	<u>\$ 462,439</u>	<u>\$ 35,194</u>	<u>\$ 109,591</u>	<u>\$ 607,224</u>

The accompanying notes are an integral part of these financial statements.

Boys Hope Girls Hope of Kansas City, Inc.
Notes to Financial Statements
June 30, 2018

Note A – Summary of Significant Accounting Policies

Organization

Boys Hope Girls Hope of Kansas City, Inc. (the Organization) is a not-for-profit corporation that offers a structured program to help academically capable, motivated, children in need, 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 is an affiliate of its national organization Boys Hope Girls Hope, Inc. (National).

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Contributions

Boys Hope Girls Hope of Kansas City, Inc. reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Boys Hope Girls Hope of Kansas City, Inc. reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Boys Hope Girls Hope of Kansas City, Inc. reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions whose restrictions are satisfied in the same reporting period may be shown as unrestricted contributions.

Promises to Give

Unconditional promises to give are recognized as revenues in the period in which the promises are received. Conditional promises to give, which depend on specified future and uncertain events, are recognized as revenue when the conditions upon which they depend are substantially met.

Cash Equivalents

Cash equivalents for purposes of the statement of cash flows consists of cash on hand, cash in operating bank accounts and other highly liquid short-term investments.

Boys Hope Girls Hope of Kansas City, Inc.
Notes to Financial Statements
June 30, 2018

Note A – Summary of Significant Accounting Policies (Continued)

Income Taxes

No provision for income taxes is included in the Statement of Activities since the organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization accounts for income taxes in accordance with FASB ASC 740, *Accounting for Income Taxes*, which provides guidance on how to measure and account for various tax positions. The Organization has determined that no material unrecognized tax benefits or liabilities exist as of June 30, 2018 for the Organization. If applicable, the Organization will recognize interest and penalties related to the underpayment of income taxes in the year incurred. The Organization does not file a separate tax return, instead it is included as part of the Boys Hope Girls Hope (its national affiliate) tax return. The Organization is not at the present time under examination by any taxing authority.

Fixed Assets

Fixed assets are carried at cost, if purchased, and fair value as of the contribution date if contributed. The Organization follows the practice of capitalizing all expenses for property, furniture, office equipment, software and improvements in excess of \$2,500. Lesser amounts are expensed. Depreciation is provided for using the straight-line method over the estimated useful lives of the respective assets as follows:

Building and improvements	5-30 years
Leasehold improvements	Lesser of remaining lease term or 5 years
Vehicles	6 years
Furniture and fixtures	5 years
Computer and software	5 years

Maintenance and repairs are charged to expenses as incurred; major renewals and betterments are capitalized. When fixed assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in revenue or expenses. Depreciation expense for the year ended June 30, 2018 is \$34,064.

Contributed Services and Goods

Various individuals and organizations have made significant contributions of their time and products for the benefit of Boys Hope Girls Hope of Kansas City, Inc. The Organization records contributed services and goods as revenue and assets or expenses if the services or goods create or enhance a non-financial asset or when the contributions are goods and services that would typically need to be purchased by the Organization if such goods and services had not been contributed.

Contributed products recognized as revenue during the year ended June 30, 2018 were approximately \$6,000 of donated weight equipment used for programming.

Boys Hope Girls Hope of Kansas City, Inc.
Notes to Financial Statements
June 30, 2018

Note A – Summary of Significant Accounting Policies (Continued)

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based on periodic time and expense studies. General and administrative 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.

Pledges Receivable

The Organization carries its pledges receivable net of an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its pledges receivable and establishes an allowance for doubtful accounts, based on history of past write-offs and collections. At June 30, 2018, the Organization deems all pledges collectible and thus has no allowance for doubtful accounts. Pledges receivable have various due dates, generally over 1-5 years, depending on the nature of the pledge. Pledges that are past due are considered delinquent and are written off as uncollectible at the time management determines that collection is unlikely.

Estimates

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

Note B –Effect of Current Economic Conditions on Contributions

The Organization depends heavily on contributions for its revenue. The ability of the Organization's contributors to continue giving comparable amounts with prior years may be dependent on current and future economic conditions and the continued deductibility for income tax purposes of contributions to the Organization. While the Organization believes that economic conditions are stable enough for the Organization to continue its program, its ability to do so and the extent to which it continues may be dependent on the above factors.

Note C –Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at June 30, 2018:

Restricted as to use	
Facilities maintenance and improvements	\$ 20,394
Textbooks	211
Total Temporarily Restricted Net Assets	<u>\$ 20,605</u>

Boys Hope Girls Hope of Kansas City, Inc.
Notes to Financial Statements
June 30, 2018

Note D – Pledges Receivable

Contributors to the Organization have unconditionally promised to give as follows:

	June 30, 2018
Receivable in less than one year, net of allowance	\$ 7,020
Receivable in one to five years	-
Total Unconditional Promises to Give	<u>\$ 7,020</u>

Note E – 401(k) Plan

The Organization participates in a multi-employer defined contribution 401(k) plan covering all employees regularly scheduled to work at least 20 hours per week and who have completed 90 days of service. Employer contributions to the plan are discretionary and will be made in equal amounts to all participants of the Plan. The Organization made no discretionary contributions made during the year ended June 30, 2018.

Note F – Concentrations

During the year ended June 30, 2018, approximately 29% of the Organization's support was derived from three donors.

Note G – Related Party Transactions

The Organization has entered into a cooperative agreement with National. The agreement, among other things, provides for support of National Boys Hope Girls Hope in a fixed amount for funding of new programs worldwide, college aid, and for National to provide administrative support. During the year ended June 30, 2018, the Organization incurred affiliation fees of \$14,580. Additionally, the Organization obtains insurance and other services through National and reimburses them for such expenses. Such expenses totaled approximately \$6,100 during the year ended June 30, 2018.

At June 30, 2018, the Organization has a payable to National of \$62,842, which includes \$56,100 of affiliation fees, \$4,562 of insurance reimbursements payable, and \$2,180 of other expenses paid by National on behalf of the Organization in previous years.

During the year ended June 30, 2018, National awarded the Organization a grant for volunteer stipends of approximately \$4,300. Additionally, National reimbursed the Organization approximately \$4,600 for its use of one of the Organization's employees who had spent time while at the Organization, working for National.

Boys Hope Girls Hope of Kansas City, Inc.
Notes to Financial Statements
June 30, 2018

Note H – Line of Credit

The Organization has a revolving promissory note agreement with Country Club Bank (the Bank) for advances up to \$200,000 which matures on February 28, 2019. Under the agreement, interest accrues on the unpaid balance of the note at a rate of 4.55%. Accrued interest is payable monthly.

The Organization's land and building secure the line of credit. At June 30, 2018, the net book value of the property securing the debt is \$552,198. The line of credit is guaranteed by Boys Hope Girls Hope (National). The Organization is required to submit internally compiled annual financial statements and tax returns to the Bank within 90 days of the Organization's fiscal year end. At June 30, 2018, the Organization has \$157,007 outstanding on this line of credit.

Note I – Investments

The Organization carries Level 1 measurements for investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values based on quoted prices in active markets in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities. The Organization initially records Level 2 financial investments at the fair value as of the date the investments are donated to the Organization and thereafter carries such investments primarily at current appraised values. The Organization uses the income approach to record Level 3 investments. Fair values for assets in Level 3 are calculated using assumptions about discounted cash flow and other present value techniques.

The following summarizes the valuation of the Organization's investments at June 30, 2018:

	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 523	\$ 523	\$ -	\$ -
Equity securities	21,327	21,327	-	-
Exchange traded funds	774	774	-	-
	<u>\$ 22,624</u>	<u>\$ 22,624</u>	<u>\$ -</u>	<u>\$ -</u>

Boys Hope Girls Hope of Kansas City, Inc. paid investment fees of approximately \$155 during the year ended June 30, 2018.

Boys Hope Girls Hope of Kansas City, Inc.
Notes to Financial Statements
June 30, 2018

Note J – Endowment

Endowment Overview

The Boys Hope Girls Hope of Kansas City, Inc. Board of Directors has fiduciary responsibility to its donors for the prudent management and use of agency assets. Boys Hope Girls Hope of Kansas City, Inc. seeks, invests and distributes funds to achieve its mission to help academically capable, motivated, children in need, meet their full potential and “become men and women for others” by providing value-centered, family-like homes, opportunities and education through college. It is the intent of the Boys Hope Girls Hope of Kansas City, Inc. Board of Directors that investments of its charitable assets be made to facilitate current and future charitable needs of Boys Hope Girls Hope of Kansas City, Inc..

Boys Hope Girls Hope of Kansas City, Inc.’s endowment includes donor restricted funds of \$23,195. Net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions or in accordance with the Board’s interpretation of relevant law.

Return Objectives and Risk Parameters

The investment objectives and primary purpose of the BHGH of KC endowment is a combination of growth and income sufficient to meet the capital improvement and operational needs of the organization. BHGH of KC is willing to accept risk necessary to achieve the target return on investments. Risks of the portfolio are managed through asset diversification, balanced sector/security weighting, asset quality and investment prudence.

The primary long term investment objective of the investment portfolio is to seek competitive market returns so as to preserve and grow the capital funds and to provide cash flows to fund distributions. The investment program should be designed to participate in up markets and more importantly provide protection in down and sideways capital markets.

The BHGH of KC Board of Directors recognizes that the return objectives may be difficult to achieve in the short term, but should be attainable over 10 or 15-year periods. Over shorter timeframes, the BHGH of KC investment portfolio will seek to outperform a composite of market indices.

The Board of Directors recognizes that prudent investing requires taking reasonable risks in order to raise the likelihood of achieving the targeted investment returns. The investment portfolio is structured to maintain prudent levels of diversification. Diversification of assets is employed to ensure that adverse results from one asset class will not have an unduly detrimental effect on the investment portfolio. The Board of Directors interprets diversification to include diversification by type, by characteristic, and by number of investments, as well as by the hiring of manager(s) that employ different management styles.

Boys Hope Girls Hope of Kansas City, Inc.
Notes to Financial Statements
June 30, 2018

Note J – Endowment (continued)

Interpretation of Laws Governing Donor Restricted Endowment Funds

BHGH of KC follows the state of Kansas Uniform Prudent Management of Institutional Funds Act (UPMIFA) and its own governing documents.

UPMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UPMIFA. BHGH of KC donors have not placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds.

The Board of Directors has determined that the majority of its contributions are subject to the terms of its governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Board of Directors. Under the terms of BHGH of KC's governing documents, the Board of Directors has the ability to distribute any amount of original unrestricted principal of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. Contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

Policies for Appropriation of Endowment Assets

The BHGH of KC Board of Directors 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 those endowment assets over the long-term. BHGH of KC's spending and investment policies work together to achieve this objective.

The investment policy establishes an achievable return objective through diversification of asset classes. The current absolute target return goal on an annualized basis is inflation plus 5%. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of return objectives, the BHGH of KC Board of Directors 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 Board of Directors targets a diversified asset allocation to achieve its long-term return objectives within prudent risk parameters. The spending policy calculates the amount of money annually distributed from BHGH of KC's endowed funds for grant making and administration. The Board's current spending policy is to fund capital improvements with investment income and/or principal, and to fund agency operations with an initial investment income, which is further limited to keeping the corpus of the donor restricted assets intact.

The Finance Committee based on recommendation by the Investment Committee will recommend a distribution amount from the net gains from the endowment. This will be made on annual basis (end of the fiscal year).

Boys Hope Girls Hope of Kansas City, Inc.
Notes to Financial Statements
June 30, 2018

Note J – Endowment (continued)

Endowment net asset composition by type of fund at June 30, 2018:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ (571)	\$ 23,195	\$ 22,624
	<u>\$ (571)</u>	<u>\$ 23,195</u>	<u>\$ 22,624</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets are \$571 as of June 30, 2018. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of the permanently restricted contributions.

Changes in endowment net assets for the year ended June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ -	\$ -
Investment return:				
Investment income	63	-	-	63
Net depreciation (realized and unrealized)	(907)	-	-	(907)
Total investment return	(844)	-	-	(844)
Contributions	34,479		23,195	57,674
Appropriations of endowment assets for expenditure	-	-	-	-
Other changes:				
Transfers out of endowment	(34,206)			(34,206)
Endowment net assets, end of year	<u>\$ (571)</u>	<u>\$ -</u>	<u>\$ 23,195</u>	<u>\$ 22,624</u>

Boys Hope Girls Hope of Kansas City, Inc.
Notes to Financial Statements
June 30, 2018

Note K – Contingencies

As indicated in the accompanying financial statements, the Organization showed a decrease in net assets of approximately \$69,000 during the year ended June 30, 2018. As of that date, the Organization's current liabilities exceeded its current assets by approximately \$175,00. Those factors create uncertainty about the Organization's ability to continue as a going concern.

The board of directors of the Organization has evaluated these conditions and Country Club Bank indicated that the board consider a goal of a \$20,000 pay down of the line of credit by the next renewal of February 2019. Additionally the board has negotiated a deferral of the related party payables on the books as of June 30, 2018 of \$63,000. To attain the goal of paying down the line of credit, the Organization has approved a budget for fiscal year ended June 30, 2019 which should result in and increase in net assets of approximately \$45,000, prior to the \$20,000 paydown on the line of credit.

In order to achieve the budgeted increase in net assets, the Organization has been approved to receive Youth Opportunities Program (YOP) tax credits of \$131,347 for the period from July 1, 2018 through June 30, 2020. This tax credit approval, along with the addition of a part time development director will allow Boys Hope Girls Hope of Kansas City, Inc. to achieve its budget of increasing its revenues by approximately \$57,000. Additionally, the board has budgeted net expense reductions of approximately \$20,000. The expense reduction plans include a reduction of rent through the cancellation of its office lease and moving staff to the scholar residence as well as reducing salaries and payroll expenses by utilizing staff for multiple roles in the Organization rather than replacing staff.

Note L – Subsequent Events

Management has evaluated subsequent events through November 8, 2018, the date which the financial statements were available for issue.