

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

JUNE 30, 2019

CONTENTS

Independent Auditor's Report	1-2
Statement of Financial Position.....	3-4
Statement of Activities	5
Statement of Cash Flows	6
Statement of Functional Expenses.....	7
Notes to Financial Statements	8-18



O 816.822.7300

F 816.926.9888

D B o r d m a n c p a . c o m

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, 2019, 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, 2019, 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.

D Bordman CPA LLC

D Bordman CPA LLC

November 11, 2019

Boys Hope Girls Hope of Kansas City, Inc.
Statement of Financial Position
June 30, 2019

Assets

Current Assets:

Cash and cash equivalents	\$ 10,308
Prepaid expenses	79
Pledges receivable	84,650
Investments	24,324
Total Current Assets	<u>119,361</u>

Fixed Assets:

Land	159,125
Building and improvements	697,575
Vehicles	51,660
Furniture and fixtures	30,292
Computer, software and equipment	16,823
Total Fixed Assets	<u>955,475</u>
Less accumulated depreciation	(392,064)
Net Fixed Assets	<u>563,411</u>
 Total Assets	 <u>\$ 682,772</u>

Boys Hope Girls Hope of Kansas City, Inc.
Statement of Financial Position
June 30, 2019

Liabilities and Net Assets

Current Liabilities:

Accounts payable	19,338
Accrued payroll liabilities	17,988
Related party payables	60,832
Line of credit	137,007
Total Current Liabilities	<u>235,165</u>

Total Liabilities 235,165

Net Assets:

Without donor restrictions	396,313
With donor restrictions	<u>51,294</u>
Total Net Assets	<u>447,607</u>
Total Liabilities and Net Assets	<u>\$ 682,772</u>

Boys Hope Girls Hope of Kansas City, Inc.
 Statement of Activities
 For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support:			
Contributions	\$ 375,821	\$ 13,474	\$ 389,295
Special events, net of cost of goods sold of \$21,507	<u>190,515</u>	-	<u>190,515</u>
Total Support	<u>566,336</u>	<u>13,474</u>	<u>579,810</u>
 Revenue and gains (losses):			
Other income	1,804	-	1,804
Investment income (loss), net	1,700	-	1,700
Loss on disposal of fixed assets	<u>(6,171)</u>	-	<u>(6,171)</u>
Total Revenue	<u>563,669</u>	<u>13,474</u>	<u>577,143</u>
 Net Assets Released From Restriction due to Satisfaction of Purpose			
	<u>5,980</u>	<u>(5,980)</u>	-
Total Support and Revenue	<u>5,980</u>	<u>(5,980)</u>	-
 Expenses:			
Program Services	413,127	-	413,127
Supporting Services:			
Fundraising	73,062	-	73,062
Management/administrative	<u>71,943</u>	-	<u>71,943</u>
Total Expenses	<u>558,132</u>	-	<u>558,132</u>
 Change in net assets	11,517	7,494	19,011
 Net assets, begining of year	384,796	43,800	428,596
 Net assets, end of year	<u>\$ 396,313</u>	<u>\$ 51,294</u>	<u>\$ 447,607</u>

Boys Hope Girls Hope of Kansas City, Inc.
 Statement of Cash Flows
 For the Year Ended June 30, 2019

Cash Flows from Operating Activities:

Change in net assets	\$ 19,011
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	33,851
Bad debt	3,350
Loss on disposal of fixed assets	6,171
Contribution of investment securities	(60,541)
Net realized/unrealized gain on investments	(3,183)
Changes in:	
Pledges receivable	(80,980)
Prepays	1,605
Accounts payable and accrued payroll liabilities	<u>(10,473)</u>
Net Cash Used in Operating Activities	<u>(91,189)</u>

Cash Flows from Investing Activities:

Purchase of investment securities	(25,716)
Proceeds from sale of investment securities	87,740
Proceeds from sale of fixed assets	500
Net Cash Provided by Investing Activities	<u>62,524</u>

Cash Flows from Financing Activities:

Net repayments on line of credit	<u>(20,000)</u>
Net Cash Used in Financing Activities	<u>(20,000)</u>

Net increase in cash and cash equivalents	(48,665)
Cash and cash equivalents, beginning of year	<u>58,973</u>
Cash and cash equivalents, end of year	<u>\$ 10,308</u>

Supplementary Cash Flow Information:

Cash paid for interest	<u>\$ 7,206</u>
Supplemental disclosures of noncash investing and financing activities:	
Contribution of investment securities	<u>\$ 60,541</u>

Boys Hope Girls Hope of Kansas City, Inc.
 Statement of Functional Expenses
 For the Year Ended June 30, 2019

	Supporting Services			
	Program Services	Fundraising	Management / Administrative	Total
Salaries and payroll	\$ 168,193	\$ 44,345	\$ 21,417	233,955
Payroll taxes	15,037	3,964	1,915	20,916
Employee benefits	19,864	5,237	2,530	27,631
Automobile expense	5,647	-	-	5,647
Office supplies	276	-	1,022	1,298
Printing and stationary	227	167	2,035	2,429
Postage/shipping	-	-	754	754
Insurance	23,615	20	103	23,738
Interest	-	-	7,206	7,206
Bank fees	-	-	3,778	3,778
Workshops/Seminars	733	48	626	1,407
Depreciation	33,711	23	117	33,851
Memberships	1,091	105	1,585	2,781
Miscellaneous	742	1,698	17,670	20,110
Utilities	17,631	18	89	17,738
Promotion	2,005	4,007	-	6,012
Professional fees	3,380	13,425	6,549	23,354
Travel	1,668	-	1,174	2,842
Repairs and maintenance	4,888	5	23	4,916
Domestic supplies	2,314	-	-	2,314
Youth assistance	102,105	-	-	102,105
Bad debt	-	-	3,350	3,350
Contributions to other Chapters	10,000	-	-	10,000
Total	<u>\$ 413,127</u>	<u>\$ 73,062</u>	<u>\$ 71,943</u>	<u>\$ 558,132</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, 2019

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.

Basis of Presentation

Boys Hope Girls Hope of Kansas City, Inc. reports information regarding its financial position and activities according to two classes of net assets: unrestricted net assets and donor restricted net assets.

Net Assets Without Donor Restrictions: These net assets generally result from revenues generated by receiving grants and contributions that have no donor restrictions and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions: These net assets result from contributions and grants of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is, until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Boys Hope Girls Hope of Kansas City, Inc. reports gifts of fixed assets 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.

Boys Hope Girls Hope of Kansas City, Inc.
Notes to Financial Statements
June 30, 2019

Note A – Summary of Significant Accounting Policies (Continued)

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.

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.

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, 2019, 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.

Cash Equivalents

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

Investments

Investments consist of equity securities. Investment income, gains and losses are reported in the statement of activities as increases or decreases based on whether the donor has restricted their use. Investment gains and income whose restriction is met in the same reporting period are included as increases to net assets without donor restriction.

Investments are reported in the financial statements at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is utilized to identify the amount of certainty for the fair value measurements used in the financial statement. When measuring fair value, generally accepted accounting principles require an entity to maximize the use of observable inputs and minimize the use of unobservable inputs. Three levels of inputs may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Boys Hope Girls Hope of Kansas City, Inc.
Notes to Financial Statements
June 30, 2019

Note A – Summary of Significant Accounting Policies (Continued)

Level 2: Inputs that are observable in the marketplace, such as quoted prices in inactive markets for an identical asset or liability or quoted prices in active markets for similar assets or liabilities. This level also includes interest rates, yield curves, and inputs that are not directly observable, but are corroborated by observable market data.

Level 3: Unobservable input that are supported by little or no market activity and that are significant to the measurement of the assets or liabilities. Fair value measurement using these inputs requires management's judgements and estimations based on factors that management believes would influence a marketplace participant.

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 and comparable state law as a charitable organization whereby only unrelated business income, as defined by Section 509 (a)(s) of the Code, is subject to federal income tax. The Organization currently has no unrelated business income.

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, 2019 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.

Functional 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 on the basis of 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.

New Accounting Pronouncement

During the year ended June 30, 2019, the Organization adopted the requirements of the Financial Accounting Standards Board's *Accounting Standards Update No. 2016-14 Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14)*. This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily

Boys Hope Girls Hope of Kansas City, Inc.
Notes to Financial Statements
June 30, 2019

Note A – Summary of Significant Accounting Policies (Continued)

restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added.

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, 2019 is \$33,851.

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. The Organization recognizes contribution revenue for such goods and services received at fair value.

Boys Hope Girls Hope of Kansas City, Inc. received contributions of private school tuition for its scholars totaling \$59,531 that was used for programming during the year ended June 30, 2019.

Advertising

Advertising and marketing costs are expensed as incurred. Advertising expense for the year ended June 30, 2019 is \$6,012.

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.

Boys Hope Girls Hope of Kansas City, Inc.
Notes to Financial Statements
June 30, 2019

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 –Donor Restricted Net Assets

Donor restricted net assets are available for the following purposes or periods at June 30, 2019:

Restricted as to use		
Facilities maintenance and improvements	\$	15,523
Carpet for scholar house		12,000
Space camp		576
Total Temporarily Restricted Net Assets		<u>28,099</u>
Assets restricted permanently by the donor		<u>23,195</u>
Net Assets With donor restrictions	\$	<u>51,294</u>

Note D – Pledges Receivable

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

	June 30, 2019
Receivable in less than one year, net of allowance	\$ 84,650
Receivable in one to five years	-
Total Unconditional Promises to Give	<u>\$ 84,650</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, 2019.

Boys Hope Girls Hope of Kansas City, Inc.
Notes to Financial Statements
June 30, 2019

Note F – Concentrations

During the year ended June 30, 2019, approximately 13% of the Organization's support was derived from one donor.

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, 2019, 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 \$5,800 during the year ended June 30, 2019.

At June 30, 2019, the Organization has a payable to National of \$60,832, which includes \$56,100 of affiliation fees, \$3,772 of insurance reimbursements payable, and \$960 of other expenses paid by National on behalf of the Organization in previous years.

During the year ended June 30, 2019, Boys Hope Girls Hope of Kansas City, Inc. contributed \$10,000 to its affiliate chapter in St. Louis, Missouri.

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 April 30, 2020. Under the agreement, interest accrues on the unpaid balance of the note at a rate of 5.25%. Accrued interest is payable monthly.

The Organization's land and building secure the line of credit. At June 30, 2019, the net book value of the property securing the debt is \$528,855. 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, 2019, the Organization has \$137,007 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.

Boys Hope Girls Hope of Kansas City, Inc.
 Notes to Financial Statements
 June 30, 2019

Note I – Investments (continued)

The following summarizes the valuation of the Organization's investments at June 30, 2019:

	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 1,140	\$ 1,140	\$ -	\$ -
Equity securities	23,184	23,184	-	-
	<u>\$ 24,324</u>	<u>\$ 24,324</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, 2019.

Investment return on these financial statements is shown net of \$278 of advisory fees.

Note J- Liquidity and Funds Availability

The following reflects Boys Hope Girls Hope of Kansas City, Inc.'s financial assets as of June 30, 2019, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date.

Financial Assets at June 30, 2018	\$ 119,361
Less those unavailable for general expenditures within one year, due to:	
Restriction by donor with time or purpose restrictions	(51,294)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 68,067</u>

The Boys Hope Girls Hope of Kansas City, Inc. has a policy to manage its financial assets to be available as its general expenditures become due, which are on average \$43,000 per month. The organization manages its liquidity by negotiating extended terms with its National Organization for its past due balances and budgeting expenses consistent with its revenue expectations.

Boys Hope Girls Hope of Kansas City, Inc.
Notes to Financial Statements
June 30, 2019

Note K – 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, 2019

Note K – 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.

Boys Hope Girls Hope of Kansas City, Inc.
 Notes to Financial Statements
 June 30, 2019

Note K – Endowment (continued)

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).

Endowment net asset composition by type of fund at June 30, 2019:

	Without Donor Restriction	Donor Restricted Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ 1,129	\$ 23,195	\$ 24,324
	<u>\$ 1,129</u>	<u>\$ 23,195</u>	<u>\$ 24,324</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, there were no such deficiencies as of June 30, 2019.

Changes in endowment net assets for the year ended June 30, 2019:

	Without Donor Restriction	Donor Restricted	Total
Endowment net assets, beginning of year	(571)	23,195	22,624
Investment return:			
Investment income	80	-	80
Net appreciation (realized and unrealized)	<u>3,183</u>	-	<u>3,183</u>
Total investment return	3,263	-	3,263
Contributions	-	-	-
Appropriations of endowment assets for expenditure	-	-	-
Other changes:			
Transfers out of endowment	(1,563)	-	(1,563)
Endowment net assets, end of year	<u>\$ 1,129</u>	<u>\$ 23,195</u>	<u>\$ 24,324</u>

Boys Hope Girls Hope of Kansas City, Inc.
Notes to Financial Statements
June 30, 2019

Note L – Contingencies

As indicated in the accompanying financial statements, as of June 30, 2019 the Organization's current liabilities exceeded its current assets by approximately \$115,000. That creates uncertainty about the Organization's ability to continue as a going concern.

The board of directors of the Organization has evaluated these conditions. Subsequent to year end, management negotiated a deferral of the related party payables on the books as of June 30, 2019 of \$61,000 and received a commitment from the Bank to renew its line of credit for another year when it comes due on April 30, 2020. Therefore, the amount currently due after these arrangements decreases by \$198,000.

The Organization has net operating cash outflows of \$91,189 for the year ended June 30, 2019. Therefore after accounting for the negotiated extended payment terms noted above, the Organization has current assets exceeding those current liabilities that will be paid during the year ended June 30, 2020 of approximately \$83,000 which would only require contributions of approximately \$10,000 to maintain operating for the next fiscal year without reductions of expenses. Management therefore considers the substantial doubt regarding the Organization's ability to continue as a going concern alleviated.

Boys Hope Girls Hope of Kansas City, Inc.'s financial position has improved from June 30, 2018 as it met its goal of reducing its line of credit by \$20,000 and increased its contribution revenue.

Note M – Subsequent Events

Management has evaluated subsequent events through November 11, 2019, the date which the financial statements were available for issue.