
**BOYS HOPE GIRLS HOPE
OF ILLINOIS, INC.**
FINANCIAL STATEMENTS
JUNE 30, 2016



Boys Hope Girls Hope of Illinois

Inspire. Empower. Nurture. Succeed.

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Independent Auditors' Report

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

Report On The Financial Statements

We have audited the accompanying financial statements of Boys Hope Girls Hope of Illinois, Inc., a not-for-profit organization, which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 Illinois, Inc. as of June 30, 2016 and 2015, 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.

RubinBrown LLP

November 16, 2016

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

STATEMENT OF FINANCIAL POSITION

	Assets	
	June 30,	
	2016	2015
Cash and cash equivalents	\$ 354,559	\$ 412,077
Investments (Note 4)	218,668	146,884
Promises to give (Note 3)	94,398	139,822
Investments - Board-designated endowment (Notes 4 and 10)	3,846,469	3,938,314
Prepaid expenses	45,300	20,805
Other current assets	20,000	—
Charitable remainder trust (Note 5)	24,901	24,901
Property and equipment (Note 6)	514,632	534,095
Investments permanently restricted for endowment (Notes 4 and 10)	463,857	463,857
Total Assets	\$ 5,582,784	\$ 5,680,755

Liabilities And Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 133,086	\$ 131,818
Deferred income	5,520	2,500
Total Liabilities	138,606	134,318
Net Assets		
Unrestricted		
Invested in property and equipment	514,632	534,095
Board-designated endowment (Note 10)	3,873,387	4,003,311
Available for operations	474,927	330,637
Total Unrestricted	4,862,946	4,868,043
Temporarily restricted (Note 8)	117,375	214,537
Permanently restricted (Notes 8 and 10)	463,857	463,857
Total Net Assets	5,444,178	5,546,437
Total Liabilities And Net Assets	\$ 5,582,784	\$ 5,680,755

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

STATEMENT OF ACTIVITIES For The Years Ended June 30, 2016 And 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support And Revenues								
Contributions	\$ 726,763	\$ 56,975	\$ —	\$ 783,738	\$ 1,089,541	\$ 230,265	\$ —	\$ 1,319,806
Special events	844,838	2,900	—	847,738	742,213	5,000	—	747,213
Less: Costs of direct benefits to donors	(215,305)	—	—	(215,305)	(185,312)	—	—	(185,312)
Donated tuition scholarships (Note 13)	224,400	—	—	224,400	187,000	—	—	187,000
Donated property and services (Note 13)	42,658	—	—	42,658	27,663	—	—	27,663
Investment return designated for current operations (Notes 4 and 10)	213,852	10,548	—	224,400	155,391	32,513	—	187,904
Other income	33,899	—	—	33,899	23,745	—	—	23,745
Net assets appropriated for expenditure (Note 10)	10,548	(10,548)	—	—	32,513	(32,513)	—	—
Net assets released from restrictions (Note 8)	157,037	(157,037)	—	—	97,841	(97,841)	—	—
Total Public Support And Revenues	2,038,690	(97,162)	—	1,941,528	2,170,595	137,424	—	2,308,019
Expenses								
Program services	1,519,587	—	—	1,519,587	1,294,588	—	—	1,294,588
Supporting activities:								
Management and general	156,350	—	—	156,350	152,029	—	—	152,029
Fundraising	241,463	—	—	241,463	243,092	—	—	243,092
Total Supporting Activities	397,813	—	—	397,813	395,121	—	—	395,121
Total Expenses	1,917,400	—	—	1,917,400	1,689,709	—	—	1,689,709
Increase (Decrease) In Net Assets From Operations	121,290	(97,162)	—	24,128	480,886	137,424	—	618,310
Investment Income (Loss) Greater Than Amount Designated For Current Operations (Note 4)	(126,387)	—	—	(126,387)	120,656	—	—	120,656
Increase (Decrease) In Net Assets	(5,097)	(97,162)	—	(102,259)	601,542	137,424	—	738,966
Net Assets - Beginning Of Year	4,868,043	214,537	463,857	5,546,437	4,266,501	77,113	463,857	4,807,471
Net Assets - End Of Year	\$ 4,862,946	\$ 117,375	\$ 463,857	\$ 5,444,178	\$ 4,868,043	\$ 214,537	\$ 463,857	\$ 5,546,437

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2016

	Program Services	Supporting Activities			Total
		Management And General	Fundraising	Total	
Direct Costs					
Living and education (Note 13)	\$ 634,410	\$ —	\$ —	\$ —	\$ 634,410
Occupancy	97,670	—	—	—	97,670
Supplies	10,391	—	—	—	10,391
Training and development	22,322	—	—	—	22,322
Transportation	23,815	—	—	—	23,815
Allocated Costs					
Bank and credit card fees	1,429	1,837	817	2,654	4,083
Computer services	5,168	1,476	738	2,214	7,382
Depreciation	68,294	—	—	—	68,294
Insurance	7,241	905	905	1,810	9,051
Loss on uncollectible promises to give	—	16,053	—	16,053	16,053
Newsletter	2,660	2,661	5,321	7,982	10,642
Office supplies	1,306	2,395	653	3,048	4,354
Other	—	2,051	4,939	6,990	6,990
Payments to affiliated organization (Note 12)	21,384	2,673	2,673	5,346	26,730
Postage and shipping	204	408	204	612	816
Printing and stationary	878	439	3,072	3,511	4,389
Professional fees	5,725	5,700	—	5,700	11,425
Salaries and wages	520,767	88,586	187,015	275,601	796,368
Taxes and benefits	95,821	31,132	35,092	66,224	162,045
Telephone	102	34	34	68	170
	\$ 1,519,587	\$ 156,350	\$ 241,463	\$ 397,813	\$ 1,917,400

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended June 30, 2015

	Supporting Activities				Total
	Program Services	Management And General	Fundraising	Total	
Direct Costs					
Living and education (Note 13)	\$ 501,422	\$ —	\$ —	\$ —	\$ 501,422
Occupancy	91,702	—	—	—	91,702
Supplies	6,244	—	—	—	6,244
Training and development	16,406	—	—	—	16,406
Transportation	28,157	—	—	—	28,157
Allocated Costs					
Bank and credit card fees	1,406	1,809	804	2,613	4,019
Computer services	7,866	2,248	1,124	3,372	11,238
Depreciation	70,512	—	—	—	70,512
Insurance	7,534	942	942	1,884	9,418
Loss on uncollectible promises to give	—	10,372	—	10,372	10,372
Newsletter	2,608	2,609	5,217	7,826	10,434
Office supplies	2,420	4,435	1,210	5,645	8,065
Other	—	2,193	3,598	5,791	5,791
Payments to affiliated organization (Note 12)	21,384	2,673	2,673	5,346	26,730
Postage and shipping	182	362	182	544	726
Printing and stationary	1,656	828	5,795	6,623	8,279
Professional fees	5,735	5,125	—	5,125	10,860
Salaries and wages	437,664	89,068	188,755	277,823	715,487
Taxes and benefits	91,475	29,304	32,764	62,068	153,543
Telephone	85	28	28	56	141
Travel	130	33	—	33	163
	\$ 1,294,588	\$ 152,029	\$ 243,092	\$ 395,121	\$ 1,689,709

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

STATEMENT OF CASH FLOWS

	For The Years Ended June 30,	
	2016	2015
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (102,259)	\$ 738,966
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	68,294	70,512
Unrealized (gains) losses on investments	113,758	(36,463)
Realized gains on sale of investments	(157,359)	(219,716)
Gain on involuntary conversion of a vehicle	(8,638)	(2,000)
Changes in assets and liabilities:		
Decrease in promises to give	45,424	48,664
Increase in prepaid expenses	(24,495)	(3,336)
Increase in other current assets	(20,000)	—
Increase in accounts payable and accrued expenses	1,268	19,523
Increase (decrease) in deferred income	3,020	(41,800)
Net Cash Provided By (Used In) Operating Activities	(80,987)	574,350
Cash Flows From Investing Activities		
Purchases of investments	(1,927,925)	(2,331,627)
Proceeds from sale of investments	1,991,587	1,976,735
Proceeds from sale of property and equipment	—	2,000
Insurance proceeds from involuntary conversion of a vehicle	19,201	—
Purchases of property and equipment	(59,394)	(48,286)
Net Cash Provided By (Used In) Investing Activities	23,469	(401,178)
Net Increase (Decrease) In Cash	(57,518)	173,172
Cash And Cash Equivalents - Beginning Of Year	412,077	238,905
Cash And Cash Equivalents - End Of Year	\$ 354,559	\$ 412,077

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 And 2015

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 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 three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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.

Cash And Cash Equivalents

The Organization considers all highly-liquid, short-term investments to be cash equivalents. The Organization invests its cash with financial institutions with strong credit ratings. At times, these balances may exceed the limits of insurance provided by the Federal Deposit Insurance Corporation of up to \$250,000, per financial institution.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements *(Continued)*

Promises To Give

Unconditional promises to give are recognized as support in the period in which the promises are received. Conditional promises to give, which depend upon specified future and uncertain events, are recognized as support when the conditions upon which they depend are substantially met. Promises to give are reported at the amount management expects to collect on balances outstanding at year end, net of an allowance for uncollectible promises. 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 accounts. No allowance for potentially uncollectible amounts was considered necessary at June 30, 2016 or 2015.

Investments And Investments Permanently Restricted For Endowment

Investments are reported at fair value. 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.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with 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 \$5,000. 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

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements *(Continued)*

Restricted And Unrestricted Public Support And Revenues

The Organization reports gifts of cash and other assets as unrestricted, temporarily restricted or permanently restricted, 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, temporarily restricted net assets are reclassified to unrestricted net assets 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.

Donated Materials And Services

Various materials and services are donated to the Organization. Donated materials and those donated services that meet the criteria for recognition under generally accepted accounting principles are recorded at fair value at the date of the donation. A substantial number of volunteers have donated significant amounts of time to the Organization in various capacities. However, these services have not been recorded because they do not meet the criteria for recognition under accounting standards.

Description Of Program Services And Supporting Activities

The following program services and supporting activities are included in the accompanying financial statements:

Program

Program services include expenses relating to living and education assistance for the boys and girls.

The Organization's program services and expenses include discounted tuition for scholars at private schools all year long (including summer school); counseling and therapy; books, uniforms, home computers and other educational supplies; transportation; the cost of maintaining three homes including food, home maintenance and repair, and staff in the homes; tuition assistance for our college scholars; and medicine and hygienic supplies for our scholars.

Management And General

Includes expenses relating to the direction for the overall affairs of the program, including accounting, personnel and administrative services.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements *(Continued)*

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.

Tax Status

The Organization files a consolidated tax return with Boys Hope Girls Hope (National). Each U.S. affiliate is separately incorporated in its respective state, but is covered by a group 501(c)(3) exemption. National 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.

The consolidated federal tax returns for tax years ended June 30, 2013 and later remain subject to examination by taxing authorities.

Subsequent Events

Management has evaluated subsequent events through November 16, 2016, the date which the financial statements were available for issue.

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 source of revenue is contributions and special events.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

3. Promises To Give

Promises to give consist of the following:

	<u>2016</u>	<u>2015</u>
Dinner fundraiser	\$ 2,750	\$ 15,675
Breakfast fundraiser	60,975	57,550
Board-designated endowment	26,918	64,997
Operations	3,755	1,600
	<u>\$ 94,398</u>	<u>\$ 139,822</u>

Promises to give are collectible in:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 77,648	\$ 133,322
One to five years	16,750	6,500
	<u>\$ 94,398</u>	<u>\$ 139,822</u>

4. Investments

Investments consist of:

	<u>2016</u>	<u>2015</u>
Cash equivalents	\$ 225,158	\$ 155,433
Mutual funds	614,358	792,414
Equities	2,684,891	2,714,815
Corporate bonds	1,004,587	886,393
	<u>\$ 4,528,994</u>	<u>\$ 4,549,055</u>

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

	<u>2016</u>	<u>2015</u>
Investments	\$ 218,668	\$ 146,884
Investments - Board-designated endowment (Note 10)	3,846,469	3,938,314
Permanently restricted for endowment (Note 10)	463,857	463,857
	<u>\$ 4,528,994</u>	<u>\$ 4,549,055</u>

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

Investment income consists of:

	<u>2016</u>	<u>2015</u>
Interest and dividends, net of fees	\$ 54,412	\$ 52,381
Realized gains	157,359	219,716
Unrealized gains (losses)	(113,758)	36,463
	<u>\$ 98,013</u>	<u>\$ 308,560</u>

Investment income is reported net of investment fees of \$28,297 and \$27,726 for 2016 and 2015, respectively.

The amount reported as investment return designated for current operations is based on the amount budgeted for operations. From time to time, the budget may exceed the actual investment return.

5. Split-Interest Agreement

The Organization is a beneficiary of a charitable remainder trust. Upon the death of the last surviving annuitant of the trust, the Organization will receive 50% of the remaining trust balance. The Organization has recorded the promise to give at the present value of the future cash flows from the trust. At June 30, 2016 and 2015, this promise to give was valued at \$24,901.

The Organization does not have access to any existing markets in which its charitable remainder trust interest can be bought or sold. Although its measurement method is based on the fair value of the assets held by the trust, management has classified its interest in this trust as Level 3 (subject to unobservable inputs) for purposes of disclosure requirements (Note 9).

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

6. Property And Equipment

Property and equipment consist of:

	<u>2016</u>	<u>2015</u>
Buildings and improvements	\$ 1,634,271	\$ 1,595,740
Computer equipment	51,432	51,432
Furniture and equipment	171,225	171,225
Vehicles	155,635	159,148
	<u>2,012,563</u>	<u>1,977,545</u>
Accumulated depreciation	<u>(1,497,931)</u>	<u>(1,443,450)</u>
	<u>\$ 514,632</u>	<u>\$ 534,095</u>

Depreciation charged to expense amounted to \$68,294 in 2016 and \$70,512 in 2015.

7. Line Of Credit

The Organization has a business line of credit with a maximum draw of \$300,000, which matures on May 26, 2021. The agreement is secured by real property. The note bears interest at the Prime Rate minus 0.75% (2.75% at June 30, 2016) and is payable monthly. No balance was outstanding at June 30, 2016 or 2015.

8. Net Assets

Temporarily restricted net assets are subject to the following donor-imposed time and purpose restrictions:

	<u>2016</u>	<u>2015</u>
College aid	\$ 15,773	\$ 85,648
Scholarships	1,600	2,600
Boys and girls home expenses	8,132	8,278
Charitable remainder trust	24,901	24,901
Time restriction	39,176	70,588
Other	27,793	22,522
	<u>\$ 117,375</u>	<u>\$ 214,537</u>

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

Temporarily restricted net assets were released from the following donor-imposed time and purpose restrictions:

	<u>2016</u>	<u>2015</u>
College aid	\$ 89,375	\$ 63,122
Scholarships	12,000	8,320
Boys and girls home expenses	1,146	9,829
Time restriction	45,387	8,192
Other	9,129	8,378
	<u>\$ 157,037</u>	<u>\$ 97,841</u>

Permanently restricted net assets include gifts which have been permanently restricted by the donors to be invested for the support of the Organization (Note 10).

9. Fair Value Measurements

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

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

- *Market approach* - Uses prices and other relevant information generated by market transactions involving identical or comparable asset or liabilities.
- *Cost approach* - Based on the amount that currently would be required to replace the service capacity of an asset.
- *Income approach* - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts.

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

Assets measured and reported at fair value are classified and disclosed in one of the following three categories:

- Level 1* Quoted prices that are readily available in active markets/exchanges for identical investments.
- Level 2* Pricing inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3* Significant pricing inputs that are unobservable for the investment and includes investments for which there is little, if any, market activity for the investment.

The following were the major categories of assets measured at fair value on a recurring basis:

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Foreign large growth	\$ 300,646	\$ —	\$ —	\$ 300,646
Foreign large blend	131,274	—	—	131,274
Diversified emerging markets	159,412	—	—	159,412
Ultrashort bond	23,026	—	—	23,026
Equities				
Basic materials	46,870	—	—	46,870
Consumer goods	292,680	—	—	292,680
Financial	63,990	—	—	63,990
Foreign	162,959	—	—	162,959
Healthcare	586,150	—	—	586,150
Industrial goods	400,871	—	—	400,871
Services	505,319	—	—	505,319
Technology	626,052	—	—	626,052
Corporate bonds				
Basic materials	—	51,050	—	51,050
Consumer goods	—	291,266	—	291,266
Financial	—	273,291	—	273,291
Healthcare	—	54,607	—	54,607
Industrial goods	—	166,911	—	166,911
Technology	—	167,462	—	167,462
Charitable remainder trust	—	—	24,901	24,901
	\$ 3,299,249	\$ 1,004,587	\$ 24,901	\$ 4,328,737

BOYS HOPE GIRLS HOPE OF ILLINOIS, INC.

Notes To Financial Statements (Continued)

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Foreign large growth	\$ 331,340	\$ —	\$ —	\$ 331,340
Foreign large blend	149,211	—	—	149,211
Diversified emerging markets	144,786	—	—	144,786
Ultrashort bond	22,733	—	—	22,733
World stock	144,344	—	—	144,344
Equities				
Basic materials	119,525	—	—	119,525
Consumer goods	131,786	—	—	131,786
Financial	82,580	—	—	82,580
Foreign	262,372	—	—	262,372
Healthcare	456,471	—	—	456,471
Industrial goods	385,057	—	—	385,057
Services	695,202	—	—	695,202
Technology	581,822	—	—	581,822
Corporate bonds				
Basic materials	—	53,044	—	53,044
Consumer goods	—	131,757	—	131,757
Financial	—	267,992	—	267,992
Healthcare	—	51,555	—	51,555
Industrial goods	—	112,325	—	112,325
Services	—	108,226	—	108,226
Technology	—	161,494	—	161,494
Charitable remainder trust	—	—	24,901	24,901
	\$ 3,507,229	\$ 886,393	\$ 24,901	\$ 4,418,523

At June 30, 2016 and 2015, the Level 2 and Level 3 assets utilize the following valuation techniques and inputs:

Corporate Bonds: The fair value of investments in 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.

Charitable Remainder Trust: The fair value of the charitable remainder trust is determined by the present value of future cash flows considering the estimated return on the invested assets during the expected term of the agreement, the contractual payment obligations under the agreement, and a discount rate commensurate with the risks involved.

There was no change in the balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended June 30, 2016 and 2015. During 2016 and 2015, there were no changes in the methods or assumptions utilized to derive the fair value of the Organization's assets.

10. Endowment Funds

The Organization's endowment consists of three permanently 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 as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Investment earnings that are not classified in permanently restricted net assets are classified as temporarily restricted net assets 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;
- (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.

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Notes To Financial Statements (Continued)

Endowment Net Asset Composition

As of June 30, 2016 and 2015, the Organization had the following endowment funds:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board-designated endowment	\$ 3,846,469	\$ —	\$ —	\$ 3,846,469
Donor-restricted endowment funds	—	—	463,857	463,857
	<u>\$ 3,846,469</u>	<u>\$ —</u>	<u>\$ 463,857</u>	<u>\$ 4,310,326</u>

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board-designated endowment	\$ 3,938,314	\$ —	\$ —	\$ 3,938,314
Donor-restricted endowment funds	—	—	463,857	463,857
	<u>\$ 3,938,314</u>	<u>\$ —</u>	<u>\$ 463,857</u>	<u>\$ 4,402,171</u>

Changes In Endowment Assets For The Fiscal Years Ended June 30, 2016 And 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets at July 1, 2014	\$ 3,332,531	\$ —	\$ 463,857	\$ 3,796,388
Transfer to board-designated endowment	485,127	—	—	485,127
Interest and dividends, net of fees	46,862	5,519	—	52,381
Realized and unrealized gains	229,185	26,994	—	256,179
Total investment income	276,047	32,513	—	308,560
Appropriation of endowment assets for expenditure	(155,391)	(32,513)	—	(187,904)
Endowment assets at June 30, 2015	3,938,314	—	463,857	4,402,171
Transfer to board-designated endowment	34,542	—	—	34,542
Interest and dividends, net of fees	48,556	5,856	—	54,412
Realized and unrealized gains	38,909	4,692	—	43,601
Total investment income	87,465	10,548	—	98,013
Appropriation of endowment assets for expenditure	(213,852)	(10,548)	—	(224,400)
Endowment assets at June 30, 2016	\$ 3,846,469	\$ —	\$ 463,857	\$ 4,310,326

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 unrestricted net assets. There were no such deficiencies as of June 30, 2016 or 2015.

Return Objectives And Risk Parameters

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

Strategies Employed For Achieving Objectives

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

Spending Policy And How The Investment Objectives Relate To Spending Policy

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

11. Retirement Plan

The Organization offers a 401(k) plan to eligible employees. The plan provides for discretionary employer contributions of up to 3% of eligible compensation and a mandatory match of 100% of the first 3% of eligible employee contributions. Total contributions by the Organization amounted to \$10,599 and \$6,380 in 2016 and 2015, respectively.

12. Related Parties And Affiliates

The Organization has entered into a cooperative agreement with National. This 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 perform certain administrative services. Support paid under this agreement was \$26,730 in 2016 and 2015. No amounts were payable at June 30, 2016 or 2015.

For the years ended June 30, 2016 and 2015, the Organization received contributions of \$93,498 and \$92,430, respectively, from various members of the Board of Directors.

13. Gifts-In-Kind

The Organization received donated tuition scholarships amounting to \$224,400 and \$187,000 during 2016 and 2015, respectively. These amounts are included in living and education costs in the statement of functional expenses.

During 2016, \$18,802 of donated services were received and included in donated property and services on the statement of activities and in living and education costs on the statement of functional expenses.