Financial Statements
June 30, 2019 and 2018

Boys Hope Girls Hope of Arizona, Inc.

Independent Auditor's Report 1

Financial Statements

Statements of Financial Position 3
Statements of Activities 4
Statements of Functional Expenses 6
Statements of Cash Flows 8
Notes to Financial Statements 9

Independent Auditor's Report

The Board of Directors
Boys Hope Girls Hope of Arizona, Inc.
Phoenix, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of Boys Hope Girls Hope of Arizona, Inc. ("the Organization"), which comprise the statements of financial position as of June 30, 2019 and 2018, 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.

Auditor's 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 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 Organization'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 Organization'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 the Organization as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Organization has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Accordingly, the June 30, 2018 net assets have been restated to adopt this standard. Our opinion is not modified with respect to this matter.

Eide Bailly LLP

Phoenix, Arizona
October 24, 2019

	2019	2018
Assets		
Current Assets		
Cash	$ 250,228	$ 186,788
Restricted cash	80,500	80,500
Accounts receivable	-	400
Promises to give	130,500	15,000
Investments	1,100,110	704,293
Prepaid expenses	6,255	3,677
Total current assets	1,567,593	990,658
Property and Equipment, Net	707,859	747,648
Total assets	$ 2,275,452	$ 1,738,306
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 30,381	$ 29,306
Accrued expenses	45,198	51,230
Current maturities of capital lease obligation	1	1
Total current liabilities	75,580	80,537
Capital Lease Obligation, Less Current Portion	5	6
Total liabilities	75,585	80,543
Net Assets		
Without donor restrictions		
Undesignated	771,788	753,697
Board designated fund	1,211,088	798,966
	1,982,876	1,552,663
With donor restrictions	216,991	105,100
Total net assets	2,199,867	1,657,763
Total liabilities and net assets	$ 2,275,452	$ 1,738,306

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Public support			
Contributions	$ 1,080,000	$ 244,200	$ 1,324,200
Donated materials and services	790,026	-	790,026
Total support from contributions	1,870,026	244,200	2,114,226
Special events			
Revenue	471,602	-	471,602
Less cost of direct benefits to donors	(84,714)	-	(84,714)
Net revenues from special events	386,888	-	386,888
Total support before releases from restrictions	2,256,914	244,200	2,501,114
Net assets released from restriction	132,309	(132,309)	-
Total support	2,389,223	111,891	2,501,114
Other revenues			
Miscellaneous income	2,318	-	2,318
Net investment gain	17,288	-	17,288
Total other revenues	19,606	-	19,606
Total support and revenue	2,408,829	111,891	2,520,720
Expenses			
Program services	1,706,677	-	1,706,677
Supporting services			
Fundraising	133,452	-	133,452
General and administrative	138,487	-	138,487
Total supporting services	271,939	-	271,939
Total expenses	1,978,616	-	1,978,616
Change in Net Assets	430,213	111,891	542,104
Net Assets, Beginning of Year, as Restated	1,552,663	105,100	1,657,763
Net Assets, End of Year	$ 1,982,876	$ 216,991	$ 2,199,867

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Public support			
Contributions	$ 519,566	$ -	$ 519,566
Donated materials and services	733,907	-	733,907
Total support from contributions	1,253,473	-	1,253,473
Special events			
Revenue	468,444	24,600	493,044
Less cost of direct benefits to donors	(77,909)	-	(77,909)
Net revenues from special events	390,535	24,600	415,135
Total support before releases from restrictions	1,644,008	24,600	1,668,608
Net assets released from restriction	47,586	(47,586)	-
Total support	1,691,594	(22,986)	1,668,608
Other revenues			
Miscellaneous income	2,553	-	2,553
Net investment loss	(2,194)	-	(2,194)
Total other revenues	359	-	359
Total support and revenue	1,691,953	(22,986)	1,668,967
Expenses			
Program services	1,609,419	-	1,609,419
Supporting services			
Fundraising	131,934	-	131,934
General and administrative	131,381	-	131,381
Total supporting services	263,315	-	263,315
Total expenses	1,872,734	-	1,872,734
Change in Net Assets	(180,781)	(22,986)	(203,767)
Net Assets, Beginning of Year, as Restated	1,733,444	128,086	1,861,530
Net Assets, End of Year, as Restated	$ 1,552,663	$ 105,100	$ 1,657,763

	2019			
	Program Services	Fundraising	General and Administrative	Total
Staff Salaries	$ 446,008	$ 77,308	$ 71,361	$ 594,677
Payroll Taxes and Employee Benefits	97,316	16,868	15,570	129,754
Total payroll costs	543,324	94,176	86,931	724,431
Assistance to Youth	897,727	-	-	897,727
Depreciation	63,761	3,542	3,542	70,845
Payments to National Affiliate	18,711	-	8,019	26,730
Occupancy	86,687	4,816	4,816	96,319
Newsletter and Promotional	1,627	203	203	2,033
Transportation	16,735	-	-	16,735
Equipment Rental	1,958	420	420	2,798
Professional Fees	30,084	-	7,521	37,605
Insurance	20,684	-	6,895	27,579
Building Furnishings	1,590	-	-	1,590
Supplies, Stationary, and Postage	12,699	2,721	2,721	18,141
Domestic Supplies	1,631	-	-	1,631
Bank Fees	-	-	4,960	4,960
Special Events Expenses - Direct Donor Benefits	-	84,714	-	84,714
Bad Debt Expense	-	-	3,000	3,000
Third-Party Events	-	27,574	-	27,574
Miscellaneous	9,459	-	9,459	18,918
Total Functional Expenses	1,706,677	218,166	138,487	2,063,330
Less Expenses Netted Against Revenues in the Statement of Activities (Direct Donor Benefits)	-	(84,714)	-	(84,714)
Total Functional Expense Reported in the Statement of Activities	$ 1,706,677	$ 133,452	$ 138,487	$ 1,978,616

	2018			
	Program Services	Fundraising	General and Administrative	Total
Staff Salaries	$ 446,222	$ 77,345	$ 71,396	$ 594,963
Payroll Taxes and Employee Benefits	101,109	17,526	16,177	134,812
Total payroll costs	547,331	94,871	87,573	729,775
Assistance to Youth	806,884	-	-	806,884
Depreciation	61,945	3,441	3,442	68,828
Payments to National Affiliate	18,761	-	8,040	26,801
Occupancy	88,796	4,933	4,933	98,662
Newsletter and Promotional	649	81	81	811
Transportation	17,297	-	-	17,297
Equipment Rental	1,677	359	359	2,395
Professional Fees	27,445	-	6,861	34,306
Insurance	17,678	-	5,893	23,571
Building Furnishings	3,402	-	-	3,402
Supplies, Stationary, and Postage	13,427	2,877	2,877	19,181
Domestic Supplies	953	-	-	953
Bank Fees	-	-	7,233	7,233
Special Events Expenses - Direct Donor Benefits	-	77,909	-	77,909
Bad Debt Expense	-	-	916	916
Third-Party Events	-	25,372	-	25,372
Miscellaneous	3,174	-	3,173	6,347
Total Functional Expenses	1,609,419	209,843	131,381	1,950,643
Less Expenses Netted Against Revenues in the Statement of Activities (Direct Donor Benefits)	-	(77,909)	-	(77,909)
Total Functional Expense Reported in the Statement of Activities	$ 1,609,419	$ 131,934	$ 131,381	$ 1,872,734

	2019	2018
Operating Activities		
Change in net assets	$ 542,104	$ (203,767)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	70,845	68,828
Unrealized (gain) loss on investments	(73)	10,007
Changes in assets and liabilities		
Accounts receivable	400	(400)
Promises to give	(115,500)	11,401
Prepaid expenses	(2,578)	481
Accounts payable	1,075	(22,546)
Accrued expenses	(6,032)	5,178
Deferred revenue	-	(5,000)
Net Cash from (used for) Operating Activities	490,241	(135,818)
Investing Activities		
Proceeds on sale of investments	309,000	275,500
Purchase of investments	(704,744)	(153,252)
Purchase of property and equipment	(31,056)	-
Net Cash from (used for) Investing Activities	(426,800)	122,248
Financing Activities		
Payments on capital lease obligation	(1)	(1)
Net Change in Cash	63,440	(13,571)
Cash, Beginning of Year	267,288	280,859
Cash, End of Year	$ 330,728	$ 267,288
Supplemental Disclosure of Cash Flow Information		
Unrestricted cash	$ 250,228	$ 186,788
Restricted cash	80,500	80,500
Total Cash, End of Year	$ 330,728	$ 267,288

Note 1 - Nature of Operations and Significant Accounting Policies

Organization and Nature of Operations

In April 1989, Boys Hope of Arizona, Inc. was formed to help Arizona boys who are at-risk, yet academically capable to realize their potential for responsible leadership by providing value-centered family-like homes and quality education through college. In October 1997, the Boys Hope of Arizona, Inc.'s Articles of Incorporation were amended to include similar programs for Arizona girls and changed the name to Boys Hope Girls Hope of Arizona, Inc. ("the Organization"). The Organization is an affiliate to Boys Hope Girls Hope, Inc. (National).

The Organization has two programs, residential and a nonresidential Academy Program. The residential program recreates the supportive family dynamic that all children need. Committed professional house-parents provide the parenting that gives them the security and stability they need to excel, and a network of carefully screened and trained volunteers provides the academic support they will need to excel in the classroom. The Academy Program offers the same arms-around, all-encompassing care as the residential program for children who do not require an out-of-home placement.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles, and reflect all significant principles, and accordingly, reflect all significant receivables, payables, and other liabilities.

Restricted Cash

For the years ended June 30, 2019 and 2018, restricted cash of $80,500 represents cash restricted for the endowment balance.

Promises to Give

Unconditional promises to give are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are originally restricted by the donor are reported as increases in net assets without donor restrictions in the year in which the restrictions are fulfilled. All other donor-restricted contributions are reported as increases in net assets with donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded as promises to give at net realizable value. Unconditional promises to give that are expected to be collected in future periods are recorded at the net present value of their estimated future cash flows. Amortization of the related discounts is included in promises to give. Conditional promises to give are not recognized as support until the conditions are substantially met.

Unconditional promises to give are stated at unpaid balances, net of discounts, less an allowance for doubtful accounts, as deemed necessary. The Organization provides for losses on promises to give using the allowance method. The allowance is based on experience, knowledge of the donors, the industry, and other circumstances which may affect the ability of donors to meet their obligations. As of June 30, 2019 and 2018, management determined that no allowance for promises to give was necessary.

Property and Equipment

Property and equipment additions over $2,500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2019 and 2018.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at fair value in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Net Assets

Net assets, revenues, and gains and losses are classified on the existence or absence of donor-imposed restrictions on contributions. Accordingly, net assets and changes therein are classified as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, a portion to be board-designated net assets.

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Concentrations of Credit Risk

Cash includes cash held in checking, savings, and money market accounts. The Organization, at times, maintains cash at financial institutions in excess of the bank insured limit by the Federal Deposit Insurance Corporation. The Organization also maintains cash at a brokerage firm that is SIPC insured.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Materials and Services

Donated materials and services are recorded at their fair market value on the date of the donation and are carried at the lower of the originally recorded value, or fair market value. The following was recognized as donated materials and services revenue for the years ended June 30, 2019 and 2018:

	2019	2018
In-kind rent	$ 55,729	$ 52,065
In-kind tuition	706,547	665,520
Other donated gifts in-kind	27,750	16,322
	$ 790,026	$ 733,907

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and occupancy, which are allocated on a square footage basis, as well as staff salaries, payroll taxes and employee benefits, payments to national affiliate, newsletter and promotional, equipment rental, professional fees, insurance, supplies, stationery, and postage, and miscellaneous, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is organized as an Arizona non-profit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). The Organization is included as part of a group Return of Organization Exempt from Income Tax (Form 990) filed by Boys Hope Girls Hope national headquarters. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Organization has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of ASU 2014-09 is that revenue should be recognized in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle, which may require the use of judgment and estimates. The Organization may adopt ASU 2014-09 either by using a full retrospective approach for all periods presented or a modified retrospective approach. This standard is effective for annual reporting periods beginning after December 15, 2018. Early adoption of the amendments is permitted with some exceptions.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2020. Early adoption of the amendment is permitted.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. ASU 2018-08 clarifies and refines existing guidance to help explain the scope of contributions and applies to both resource providers and resource recipients. ASU 2018-08 clarifies two issues. The first issue, in the case of grants and similar contracts with government agencies, is that unless the resource provider receives commensurate value from the resource recipient, the transaction is most likely a contribution, not an exchange transaction. The second issue is distinguishing between conditional and unconditional contributions. For a donor-imposed condition to exist, it must have both a measurable barrier that must be overcome and a right of return of the gift to the donor or a release from the donor’s promise to give. The Organization may adopt ASU 2018-08 by using a modified prospective approach.

A full retrospective approach for all periods presented is also permitted. For resource recipients, this standard is effective for annual reporting periods beginning after December 15, 2018. For resources providers, this standard is effective for annual reporting periods beginning after December 15, 2019. Early adoption of the amendment is permitted.

Change in Accounting Policy

As of July 1, 2018, the Organization adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities.* The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Organization's donor restricted endowment funds and underwater endowments. The ASU introduces new disclosure requirements to provide information about what is included or excluded from the Organization's intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess the Organization's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statement of activities net of external and direct internal investment expenses.

The standard improves the usefulness and understandability of the financial statement reporting. Accordingly, the accompanying financial statements and related notes follow the net asset classification, presentation, and disclosure requirements prescribed by ASU. The Organization has adopted this standard as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Subsequent Events

The Organization has evaluated subsequent events through October 24, 2019, the date which the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash	$ 250,228
Promises to give	130,500
Less contributions restricted for specific programs	(136,491)
	$ 244,237

The Organization manages its exposure to liquidity risk by regularly monitoring the liquidity required to meet its operating needs and other contractual commitments. The Organization prepares an annual budget to manage liquidity and to determine general expenditures over the next 12 months and anticipates collecting revenue sufficient to cover general expenditures during that period. General expenditures include administrative, general expenses, and fundraising expenses to be paid in the subsequent year. Annual operations are defined as activities occurring during the Organization's fiscal year. The investment balance is invested in liquid investments and is part of the board designated net assets balance and can be made available for general expenditure upon board approval.

Note 3 - Fair Value Measurements and Disclosures

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk or liquidity profile of the asset or liability.

Money market short-term funds are actively traded and valued using quoted prices in active markets and are classified within Level 1.

U.S. Government bond obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2.

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2019:

		Fair Value Measurements at Report date Using		
	Total	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Money Market Short-Term	$ 1,100,110	$ 1,100,110	$ -	$ -
Total investments	$ 1,100,110	$ 1,100,110	$ -	$ -

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2018:

		Fair Value Measurements at Report date Using		
	Total	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
US Government Bond Obligations	$ 704,293	$ -	$ 704,293	$ -
Total investments	$ 704,293	$ -	$ 704,293	$ -

Net investment return consisted of the following at June 30, 2019 and 2018:

	2019	2018
Interest and dividends	$ 17,361	$ 7,813
Net realized and unrealized loss	(73)	(10,007)
	$ 17,288	$ (2,194)

Note 4 - Property and Equipment

Property and equipment consisted of the following at June 30, 2019 and 2018:

	2019	2018
Land	$ 130,111	$ 130,111
Land held under capital lease	27,700	27,700
Girls home building	597,505	597,505
Boys home building	499,724	499,724
Furniture and fixtures	121,369	121,369
Vehicles	133,981	131,959
Computer equipment	62,617	62,617
Building improvements	7,100	7,100
	1,580,107	1,578,085
Accumulated depreciation	(872,248)	(830,437)
Property and equipment, net	$ 707,859	$ 747,648

Note 5 - Capital Lease Obligation

On April 1, 1991, the Organization loaned funds for the construction of the Boys home building to National, a related party, in the amount of $218,439. The Organization received a note receivable from National for the same amount due in installments of $24,312 annually for 24 years. At the same time, the Boys home building was leased back from National under a capital lease agreement for 60 years. The capital lease had a present value of $218,439 and calls for an annual payment of $24,312 for the years one though 24 and $1 for the years 25 through 60. The agreement states that the Organization has the right to off-set its annual rent payment with the payment due to the Organization under the note, and the Organization has therefore not reflected the note receivable or the capital lease obligation in the accompanying financial statements. The agreement also stated that upon the termination date of the capital lease, title to the Boys home building shall automatically pass to the Organization.

On April 1, 1991, the Organization entered into a capital lease agreement under which it leases land from National, a related party, for 60 years. The lease calls for annual payments of $3,083 for years one through 24 and $1 for years 25 through 60. The interest portion of the lease payments was computed using a rate of 10% per year. The agreement also states that upon the termination date of the capital lease, title to the land shall automatically pass to the Organization.

Minimum future lease payments under this capital lease at June 30, 2019 are as follows:

Year Ending June 30,	
2020	$ 1
2021	1
2022	1
2023	1
Thereafter	27
Total minimum lease payments	31
Less amounts representing interest	(25)
Present value of minimum lease payments	6
Current maturities	1
Noncurrent maturities	$ 5

Note 6 - Board-Designated Net Assets

The board of directors of the Organization have designated a portion of the net assets without donor restrictions as reserves to be used as the discretion of the board of directors. As of June 30, 2019 and 2018, the balance of the board-designated net assets was $1,211,088 and $798,966, respectively. As of June 30, 2019, $110,978 was included with cash and $1,100,110 was classified as investments on the statements of financial position. As of June 30, 2018, $94,673 was included with cash and $704,293 was classified as investments on the statements of financial position.

Note 7 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2019:

	2019	2018
Subject to the passage of time	$ -	$ 15,000
Subject to Expenditure for Specified Purpose		
Cultural Fluency program	136,491	-
Golf tournament	-	5,000
Washington trip	-	3,100
School supplies	-	1,500
Endowment		
Original donor-restricted gift amount required to be maintained in perpetuity by donor	80,500	80,500
	$ 216,991	$ 105,100

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows during the fiscal years ended June 30, 2019 and 2018:

	2019	2018
Expiration of time restrictions	$ 45,500	$ 26,401
Satisfaction of purpose restrictions	86,809	21,185
	$ 132,309	$ 47,586

Note 8 - Endowment Net Assets

In previous years, the Organization received contributions in the amount of $161,000, of which $80,500 was released from restriction by the donor. Of these contributions, $80,500 remains restricted in perpetuity. The money is to be invested indefinitely, and the income from the investment is to be used for specific purposes approved by the Organization's board of directors. The endowment consists entirely of donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 retains in perpetuity: (a) the original value of gifts donated to the permanent endowment and (b) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the investment policies of the Organization.

The composition of endowment net assets by fund type as of June 30, 2019 and 2018 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Balance, June 30, 2017	$ -	$ 80,500	$ 80,500
Investment return			
Investment loss	-	-	-
Endowment draw for expenditure	-	-	-
Balance, June 30, 2018	-	80,500	80,500
Investment return			
Investment income	-	973	973
Endowment draw for expenditure	-	(973)	(973)
Balance, June 30, 2019	$ -	$ 80,500	$ 80,500

From time to time, donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law. The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

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 while seeking to maintain the purchasing power of these endowment assets over the long-term. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period.

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 to achieve its long-term return objectives within prudent risk parameters.

Spending Policy

The current spending policy is to spend the earnings on the endowment as approved by the board of directors for operating purposes. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the endowment fund, which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

Note 9 - Related Party

The Organization is an affiliate to National and has entered into an affiliation agreement. Payments to National for services provided and other fees consisted of $26,730 and $26,801 for the years ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, there was $0 and $2,760, respectively, outstanding as a payable to National and included in accounts payable.

During the years ended June 30, 2019 and 2018, the Organization received contributions from board members totaling $75,267 and $13,558, respectively.

Note 10 - Retirement Plan

The Organization participates in a participant-directed 401(k) plan sponsored by National covering employees who meet specific service requirements. Contributions to the plan are participant-directed. Effective for the year ending June 30, 2011, the Organization suspended the existing match but continued to pay the associated account fees to allow participants to make contributions. Account fees during the years ended 2019 and 2018 were $775 and $870, respectively.

Note 11 - Adjustment Resulting from Change in Accounting Policy

As disclosed in Note 1, the Organization adopted the provisions of ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* as of June 30, 2019. As a part of the adoption, changes were made to the presentation of the financial statements and the classification of net assets. Following is a summary of the effects of the change in accounting policy in the Organization's June 30, 2018 financial statements.

The effect on the Organization's statement of financial position as of June 30, 2018 is as follows:

	As Previously Reported	Adoption of ASU 2016-14	As Adjusted
Unrestricted	$ 1,552,663	$ (1,552,663)	$ -
Temporarily restricted net assets	24,600	(24,600)	-
Permanently restricted net assets	80,500	(80,500)	-
Net assets without donor restrictions	-	1,552,663	1,552,663
Net assets with donor restrictions	-	105,100	105,100

The effect on the Organization's statement of activities as of June 30, 2018 is as follows:

	As Previously Reported	Adoption of ASU 2016-14	As Adjusted
Net Assets, Beginning of Year			
Unrestricted	$ 1,733,444	$ (1,733,444)	$ -
Temporarily restricted	47,586	(47,586)	-
Permanently restricted	80,500	(80,500)	-
Net assets without donor restrictions	-	1,733,444	1,733,444
Net assets with donor restrictions	-	128,086	128,086
Net Assets, End of Year			
Unrestricted	$ 1,552,663	$ (1,552,663)	$ -
Temporarily restricted	24,600	(24,600)	-
Permanently restricted	80,500	(80,500)	-
Net assets without donor restrictions	-	1,552,663	1,552,663
Net assets with donor restrictions	-	105,100	105,100