



Financial Statements
June 30, 2021 and 2020

**Boys Hope Girls Hope of
Arizona, Inc.**

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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. ("BHGH"), which comprise the statements of financial position as of June 30, 2021 and 2020, 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 BHGH'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 BHGH'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 BHGH as of June 30, 2021 and 2020, 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Phoenix, Arizona
October 28, 2021

Boys Hope Girls Hope of Arizona, Inc.
Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash	\$ 308,507	\$ 330,318
Restricted cash	80,500	80,500
Accounts receivable	6,885	1,125
Promises to give	38,000	5,000
Prepaid expenses	858	10,069
Investments	1,001,934	1,010,281
Total current assets	1,436,684	1,437,293
Promises to Give, Long-Term Portion	50,000	-
Property and Equipment, Net	614,807	670,252
Total assets	\$ 2,101,491	\$ 2,107,545
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 4,422	\$ 19,217
Accrued expenses	69,174	52,181
Current maturities of capital lease obligation	1	1
Refundable advance - Paycheck Protection Program	154,695	145,570
Total current liabilities	228,292	216,969
Long-Term Liabilities		
Capital lease obligation, less current maturities	3	4
Total liabilities	228,295	216,973
Net Assets		
Without donor restrictions		
Undesignated	732,696	825,072
Board designated fund	985,000	985,000
	1,717,696	1,810,072
With donor restrictions	155,500	80,500
Total net assets	1,873,196	1,890,572
Total liabilities and net assets	\$ 2,101,491	\$ 2,107,545

Boys Hope Girls Hope of Arizona, Inc.

Statements of Activities

Years Ended June 30, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Support from contributions			
Contributions	\$ 564,450	\$ 75,000	\$ 639,450
In-kind contributions	729,782	-	729,782
Paycheck Protection Program forgiveness	145,570	-	145,570
Total support from contributions	1,439,802	75,000	1,514,802
Special events revenue	520,679	-	520,679
Less cost of direct benefits to donors	(51,869)	-	(51,869)
Net revenues from special events	468,810	-	468,810
Total public support before releases from restrictions	1,908,612	75,000	1,983,612
Net assets released from restriction	-	-	-
Total public support	1,908,612	75,000	1,983,612
Other revenues			
Miscellaneous income	1,657	-	1,657
Net investment return	1,539	-	1,539
Total other revenues	3,196	-	3,196
Total public support and revenue	1,911,808	75,000	1,986,808
Expenses			
Program services	1,706,338	-	1,706,338
Supporting services			
Fundraising	140,728	-	140,728
General and administrative	157,118	-	157,118
Total supporting services	297,846	-	297,846
Total expenses	2,004,184	-	2,004,184
Change in Net Assets	(92,376)	75,000	(17,376)
Net Assets, Beginning of Year	1,810,072	80,500	1,890,572
Net Assets, End of Year	\$ 1,717,696	\$ 155,500	\$ 1,873,196

Boys Hope Girls Hope of Arizona, Inc.

Statements of Activities

Years Ended June 30, 2021 and 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Support from contributions			
Contributions	\$ 498,068	\$ -	\$ 498,068
In-kind contributions	833,316	-	833,316
Total support from contributions	1,331,384	-	1,331,384
Special events revenue	438,782	-	438,782
Less cost of direct benefits to donors	(40,024)	-	(40,024)
Net revenues from special events	398,758	-	398,758
Total public support before releases from restrictions	1,730,142	-	1,730,142
Net assets released from restriction	136,491	(136,491)	-
Total public support	1,866,633	(136,491)	1,730,142
Other revenues			
Miscellaneous income	18,864	-	18,864
Net investment return	17,150	-	17,150
Total other revenues	36,014	-	36,014
Total public support and revenue	1,902,647	(136,491)	1,766,156
Expenses			
Program services	1,798,379	-	1,798,379
Supporting services			
Fundraising	129,889	-	129,889
General and administrative	147,183	-	147,183
Total supporting services	277,072	-	277,072
Total expenses	2,075,451	-	2,075,451
Change in Net Assets	(172,804)	(136,491)	(309,295)
Net Assets, Beginning of Year	1,982,876	216,991	2,199,867
Net Assets, End of Year	\$ 1,810,072	\$ 80,500	\$ 1,890,572

Boys Hope Girls Hope of Arizona, Inc.
Statements of Functional Expenses
Years Ended June 30, 2021 and 2020

	2021			
	Program Services	Fundraising	General and Administrative	Total
Staff Salaries	\$ 527,968	\$ 91,514	\$ 84,475	\$ 703,957
Payroll Taxes and Employee Benefits	111,262	19,285	17,802	148,349
Total payroll costs	639,230	110,799	102,277	852,306
Assistance to Youth	808,415	-	-	808,415
Depreciation	49,902	2,772	2,771	55,445
Payments to National Affiliate	23,462	-	10,055	33,517
Occupancy	90,145	5,008	5,008	100,161
Newsletter and Promotional	1,786	223	223	2,232
Transportation	15,267	-	-	15,267
Equipment Rental	2,733	586	586	3,905
Professional Fees	32,293	16,147	16,147	64,587
Insurance	25,895	-	8,632	34,527
Building Furnishings	2,627	-	-	2,627
Supplies, Stationary, and Postage	10,387	2,226	2,226	14,839
Domestic Supplies	1,404	-	-	1,404
Bank Fees	-	-	5,558	5,558
Special Events Expenses -				
Direct Donor Benefits	-	51,869	-	51,869
Third-Party Events	-	2,967	-	2,967
Miscellaneous	2,792	-	3,635	6,427
Total Functional Expenses	1,706,338	192,597	157,118	2,056,053
Less Expenses Netted Against Revenues in the Statement of Activities (Direct Donor Benefits)	-	(51,869)	-	(51,869)
Total Functional Expense Reported in the Statement of Activities	<u>\$ 1,706,338</u>	<u>\$ 140,728</u>	<u>\$ 157,118</u>	<u>\$ 2,004,184</u>

Boys Hope Girls Hope of Arizona, Inc.
Statements of Functional Expenses
Years Ended June 30, 2021 and 2020

	2020			
	Program Services	Fundraising	General and Administrative	Total
Staff Salaries	\$ 491,057	\$ 85,117	\$ 78,569	\$ 654,743
Payroll Taxes and Employee Benefits	98,671	17,103	15,787	131,561
Total payroll costs	589,728	102,220	94,356	786,304
Assistance to Youth	931,845	-	-	931,845
Depreciation	65,494	3,639	3,639	72,772
Payments to National Affiliate	20,054	-	8,595	28,649
Occupancy	94,226	5,235	5,235	104,696
Newsletter and Promotional	1,497	187	187	1,871
Transportation	21,674	-	-	21,674
Equipment Rental	1,753	376	376	2,505
Professional Fees	30,212	15,106	15,106	60,424
Insurance	20,722	-	6,907	27,629
Building Furnishings	1,095	-	-	1,095
Supplies, Stationary, and Postage	14,381	3,081	3,081	20,543
Domestic Supplies	1,352	-	-	1,352
Bank Fees	-	-	5,357	5,357
Special Events Expenses -				
Direct Donor Benefits	-	40,024	-	40,024
Third-Party Events	-	45	-	45
Miscellaneous	4,346	-	4,344	8,690
Total Functional Expenses	1,798,379	169,913	147,183	2,115,475
Less Expenses Netted Against Revenues in the Statement of Activities (Direct Donor Benefits)	-	(40,024)	-	(40,024)
Total Functional Expense Reported in the Statement of Activities	<u>\$ 1,798,379</u>	<u>\$ 129,889</u>	<u>\$ 147,183</u>	<u>\$ 2,075,451</u>

Boys Hope Girls Hope of Arizona, Inc.

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ (17,376)	\$ (309,295)
Adjustments to reconcile change in net assets to net cash (used for) from operating activities		
Depreciation	55,445	72,772
Unrealized loss on investments	1,539	475
Gain on sale of property and equipment	-	(18,305)
Donated investments	(10,040)	-
Paycheck Protection Program forgiveness	(145,570)	-
Changes in assets and liabilities		
Accounts receivable	(5,760)	(1,125)
Promises to give	(83,000)	125,500
Prepaid expenses	9,211	(3,814)
Accounts payable	(14,795)	(11,164)
Accrued expenses	16,993	6,983
Refundable advance - Paycheck Protection Program	154,695	145,570
Net Cash (used for) from Operating Activities	<u>(38,658)</u>	<u>7,597</u>
Investing Activities		
Proceeds on sale of investments	624,857	355,000
Purchase of investments	(608,009)	(265,646)
Proceeds on sale of property and equipment	-	18,305
Purchase of property and equipment	-	(35,165)
Net Cash from Investing Activities	<u>16,848</u>	<u>72,494</u>
Financing Activities		
Payments on capital lease obligation	(1)	(1)
Net Cash used for Financing Activities	<u>(1)</u>	<u>(1)</u>
Net Change in Cash and Restricted Cash	(21,811)	80,090
Cash and Restricted Cash, Beginning of Year	<u>410,818</u>	<u>330,728</u>
Cash and Restricted Cash, End of Year	<u>\$ 389,007</u>	<u>\$ 410,818</u>
Supplemental Disclosure of Cash Flow Information		
Cash	\$ 308,507	\$ 330,318
Restricted cash	<u>80,500</u>	<u>80,500</u>
Total Cash, End of Year	<u>\$ 389,007</u>	<u>\$ 410,818</u>

Note 1 - Nature of Operations and Significant Accounting Policies

Organization and Nature of Operations

Boys Hope Girls Hope of Arizona, Inc. ("BHGH") has a mission to nurture and guide motivated young people in need to become well-educated, career-ready men and women for others.

Since 1989, BHGH has provided access to private and college preparatory education and holistic support through college for high-achieving, under-resourced Arizona children. BHGH tackles the root causes of poverty and poor achievement by addressing two of the greatest needs of marginalized youth: a strong academic foundation and emotional support. Through BHGH, scholars gain access to the resources and support necessary to attain a college degree, become true leaders, and break the generational cycle of poverty.

Through a voluntary, competitive process, youth apply to BHGH. Depending upon the specific needs and circumstances of the family, youth will join one of two Scholar Success program paths: the Residential Program, or the Academy program. All youth receive long-term, comprehensive support through college graduation. The Scholar Success program provides case management, youth development and post-secondary success programming year-round for BHGH 6th grade scholars through college seniors.

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, 2021 and 2020, restricted cash of \$80,500 represents cash restricted for the endowment balance.

Promises to Give

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 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, 2021 and 2020, 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.

BHGH 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, 2021 and 2020.

Investments

BHGH 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. BHGH reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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. BHGH, at times, maintains cash at financial institutions in excess of the bank insured limit by the Federal Deposit Insurance Corporation. BHGH also maintains cash at a brokerage firm that is SIPC insured.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. There were no conditional promises to give at June 30, 2021 and 2020.

In-Kind Contributions

In-kind contributions 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.

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

BHGH is organized as an Arizona nonprofit 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). For the year ended June 30, 2020, BHGH is included as part of a group Return of Organization Exempt from Income Tax (Form 990) filed by Boys Hope Girls Hope national headquarters. For the year ended June 30, 2021, BHGH will file the Return of Organization Exempt from Income Tax (Form 990) on an individual basis and will only include the activity of Boys Hope Girls Hope Arizona, Inc. In addition, BHGH is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. BHGH 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.

BHGH 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. BHGH 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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, 2021. Early adoption of the amendment is permitted. BHGH is currently evaluating the impact of this amendment on its financial statements.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported ending total net assets.

Subsequent Events

BHGH has evaluated subsequent events through October 28, 2021, 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:

	<u>2021</u>	<u>2020</u>
Cash	\$ 308,507	\$ 330,318
Accounts receivable	6,885	1,125
Promises to give	<u>38,000</u>	<u>5,000</u>
	<u>\$ 353,392</u>	<u>\$ 336,443</u>

BHGH manages its exposure to liquidity risk by regularly monitoring the liquidity required to meet its operating needs and other contractual commitments. BHGH 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 BHGH's fiscal year. Promises to give less the contributions that cannot be used within one year are considered liquid. 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

BHGH 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.

Funds held by Catholic Community Foundation (the Foundation) are a part of pooled investments, invested in funds for parish, schools, cemeteries, related organizations, and individuals' financial needs and are valued at the fair value reported by the Foundation. These funds held by the Foundation can be redeemed by BHGH without notice at any time. The fair value of these assets are determined using other observable inputs and are determined to be classified within Level 2.

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2021:

	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 Funds held by Catholic Community Foundation	\$ 500,115	\$ 500,115	\$ -	\$ -
	501,819	-	501,819	-
Total investments	\$ 1,001,934	\$ 500,115	\$ 501,819	\$ -

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2020:

	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	\$ 1,010,281	\$ 1,010,281	\$ -	\$ -
Total investments	\$ 1,010,281	\$ 1,010,281	\$ -	\$ -

Boys Hope Girls Hope of Arizona, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Net investment return consisted of the following at June 30, 2021 and 2020:

	2021	2020
Interest and dividends	\$ 2,267	\$ 16,675
Net realized and unrealized gain (loss)	(728)	475
	\$ 1,539	\$ 17,150

Note 4 - Property and Equipment

Property and equipment consisted of the following at June 30, 2021 and 2020:

	2021	2020
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	138,864	138,864
Computer equipment	62,616	62,616
Building improvements	7,100	7,100
	1,584,989	1,584,989
Accumulated depreciation	(970,182)	(914,737)
Property and equipment, net	\$ 614,807	\$ 670,252

Note 5 - Capital Lease Obligation

On April 1, 1991, BHGH loaned funds for the construction of the Boys home building to National, a related party, in the amount of \$218,439. BHGH 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 through 24 and \$1 for the years 25 through 60. The agreement states that BHGH has the right to off-set its annual rent payment with the payment due to BHGH under the note, and BHGH 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 BHGH.

On April 1, 1991, BHGH 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 BHGH. Subsequent to year end, title to the land passed to BHGH.

Minimum future lease payments under this capital lease at June 30, 2021 are as follows:

<u>Years Ending June 30,</u>	<u>Amounts</u>
2022	\$ 1
2023	1
2024	1
2025	1
2026	1
Thereafter	<u>24</u>
Total minimum lease payments	29
Less amounts representing interest	<u>(25)</u>
Present value of minimum lease payments	4
Current maturities	<u>1</u>
Noncurrent maturities	<u><u>\$ 3</u></u>

Note 6 - Paycheck Protection Program Loan

In 2021, BHGH was granted a \$154,695 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized. BHGH is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. BHGH has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan. Proceeds from the loan are eligible for forgiveness if they are used for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended June 30, 2021 in relation to this loan. BHGH will be required to repay any remaining balance, plus interest accrued at 1 percent, in monthly payments commencing 10 months from the loan agreement date.

BHGH was granted a \$145,570 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner for the year ended June 30, 2020. The loan is uncollateralized. BHGH initially recorded a refundable advance and subsequently recorded forgiveness when the loan obligation was legally released by the SBA. BHGH has recognized \$145,570 as contribution revenue for the year ended June 30, 2021.

Note 7 - Board-Designated Net Assets

The board of directors of BHGH have designated a portion of the net assets without donor restrictions as reserves to be used at the discretion of the board of directors. As of June 30, 2021 and 2020, the balance of the board-designated net assets was \$985,000.

Note 8 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2021:

	<u>2021</u>	<u>2020</u>
Subject to the Passage of Time		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	\$ 75,000	\$ -
Endowment		
Original donor-restricted gift amount required to be maintained in perpetuity by donor	<u>80,500</u>	<u>80,500</u>
	<u>\$ 155,500</u>	<u>\$ 80,500</u>

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Reclassification of Donor intent	<u>\$ -</u>	<u>\$ 136,491</u>
	<u>\$ -</u>	<u>\$ 136,491</u>

At times, BHGH receives requests by donors or their designees to change the use for which the donor's original gift was intended. These donor requests are reviewed by BHGH for approval, and if approved, may result in the reclassification of net assets between net assets with donor restrictions and net assets without donor restrictions. As of June 30, 2021 and 2020, \$0 and \$136,491 of net assets were reclassified as without donor restriction, respectively.

Note 9 - Endowment Net Assets

BHGH received contributions in the amount of \$80,500 that shall remain restricted in perpetuity. The money is to be invested indefinitely, and the income from the investment is to be used for operating purposes approved by BHGH'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

BHGH has interpreted the Arizona 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, BHGH 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 BHGH, and (7) the investment policies of BHGH.

The composition of endowment net assets by fund type as of June 30, 2021 and 2020 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Balance, June 30, 2019	\$ -	\$ 80,500	\$ 80,500
Investment return			
Investment income	-	971	971
Endowment draw for expenditure	-	(971)	(971)
Balance, June 30, 2020	-	80,500	80,500
Investment return			
Investment income	-	89	89
Endowment draw for expenditure	-	(89)	(89)
Balance, June 30, 2021	<u>\$ -</u>	<u>\$ 80,500</u>	<u>\$ 80,500</u>

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. BHGH has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Return Objectives and Risk Parameters

BHGH 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 BHGH must hold in perpetuity or for a donor-specified period.

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, BHGH 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 10 - In-kind Contributions

In-kind contributions are as follows during the year ended June 30, 2021:

	Program Services	Management and General	Fundraising and Development	Total
In-kind rent	\$ 49,901	\$ 2,772	\$ 2,772	\$ 55,445
In-kind tuition	652,199	-	-	652,199
Other donated gifts in-kind	19,362	2,776	-	22,138
	<u>\$ 721,462</u>	<u>\$ 5,548</u>	<u>\$ 2,772</u>	<u>\$ 729,782</u>

In-kind contributions are as follows during the year ended June 30, 2020:

	Program Services	Management and General	Fundraising and Development	Total
In-kind rent	\$ 50,160	\$ 2,787	\$ 2,787	\$ 55,733
In-kind tuition	742,164	-	-	742,164
Other donated gifts in-kind	33,005	2,414	-	35,419
	<u>\$ 825,329</u>	<u>\$ 5,201</u>	<u>\$ 2,787</u>	<u>\$ 833,316</u>

Note 11 - Related Party

BHGH is an affiliate to Boys Hope Girls Hope National and has entered into an affiliation agreement. Payments to National for services provided and other fees totaled \$33,517 and \$28,649 for the years ended June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, there were no amounts outstanding as a payable to National.

During the year ended June 30, 2021 and 2020, BHGH received contributions from National totaling \$0 and \$14,000, respectively.

During the years ended June 30, 2021 and 2020, BHGH received contributions from board members totaling \$68,262 and \$79,165, respectively.

Note 12 - Retirement Plan

BHGH 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. Beginning in the year ended June 30, 2011, BHGH suspended the existing match but continued to pay the associated account fees to allow participants to make contributions. This suspension is still in effect as of June 30, 2021. Account fees during the years ended June 30, 2021 and 2020 were \$0 and \$590, respectively.