



Financial Statements
June 30, 2022 and 2021

**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 Audit of the Financial Statements

Opinion

We have audited the financial statements of Boys Hope Girls Hope of Arizona, Inc. ("BHGH"), which comprise the statements of financial position as of June 30, 2022 and 2021 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of BHGH as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of BHGH and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about BHGH's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities of the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BHGH's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Eide Bailly LLP

Phoenix, Arizona
December 21, 2022

Boys Hope Girls Hope of Arizona, Inc.
Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash	\$ 325,943	\$ 308,507
Restricted cash	80,500	80,500
Accounts receivable	1,100	6,885
Promises to give	42,500	38,000
Prepaid expenses	4,119	858
Investments	1,005,614	1,001,934
Total current assets	1,459,776	1,436,684
Promises to Give, Long-Term Portion	25,000	50,000
Property and Equipment, Net	560,498	614,807
Total assets	\$ 2,045,274	\$ 2,101,491
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 34,940	\$ 4,422
Accrued expenses	82,195	69,174
Current maturities of capital lease obligation	-	1
Refundable advance - Paycheck Protection Program	-	154,695
Total current liabilities	117,135	228,292
Long-Term Liabilities		
Capital lease obligation, less current maturities	-	3
Total liabilities	117,135	228,295
Net Assets		
Without donor restrictions		
Undesignated	715,139	732,696
Board designated fund	985,000	985,000
	1,700,139	1,717,696
With donor restrictions	228,000	155,500
Total net assets	1,928,139	1,873,196
Total liabilities and net assets	\$ 2,045,274	\$ 2,101,491

Boys Hope Girls Hope of Arizona, Inc.

Statements of Activities

Years Ended June 30, 2022 and 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Support from contributions			
Contributions	\$ 690,191	\$ 97,500	\$ 787,691
In-kind contributions	813,773	-	813,773
Paycheck Protection Program forgiveness	154,695	-	154,695
Total support from contributions	1,658,659	97,500	1,756,159
Special events revenue	581,501	-	581,501
Less cost of direct benefits to donors	(109,515)	-	(109,515)
Net revenues from special events	471,986	-	471,986
Total public support before releases from restrictions	2,130,645	97,500	2,228,145
Net assets released from restriction	25,000	(25,000)	-
Total public support	2,155,645	72,500	2,228,145
Other revenues			
Net investment return	4,625	-	4,625
Total other revenues	4,625	-	4,625
Total public support and revenue	2,160,270	72,500	2,232,770
Expenses			
Program services	1,877,257	-	1,877,257
Supporting services			
Fundraising	140,209	-	140,209
General and administrative	160,361	-	160,361
Total supporting services	300,570	-	300,570
Total expenses	2,177,827	-	2,177,827
Change in Net Assets	(17,557)	72,500	54,943
Net Assets, Beginning of Year	1,717,696	155,500	1,873,196
Net Assets, End of Year	\$ 1,700,139	\$ 228,000	\$ 1,928,139

Boys Hope Girls Hope of Arizona, Inc.

Statements of Activities

Years Ended June 30, 2022 and 2021

	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	<u>1,439,802</u>	<u>75,000</u>	<u>1,514,802</u>
Special events revenue	520,679	-	520,679
Less cost of direct benefits to donors	<u>(51,869)</u>	<u>-</u>	<u>(51,869)</u>
Net revenues from special events	<u>468,810</u>	<u>-</u>	<u>468,810</u>
Total public support before releases from restrictions	<u>1,908,612</u>	<u>75,000</u>	<u>1,983,612</u>
Net assets released from restriction	<u>-</u>	<u>-</u>	<u>-</u>
Total public support	<u>1,908,612</u>	<u>75,000</u>	<u>1,983,612</u>
Other revenues			
Miscellaneous income	1,657	-	1,657
Net investment return	<u>1,539</u>	<u>-</u>	<u>1,539</u>
Total other revenues	<u>3,196</u>	<u>-</u>	<u>3,196</u>
Total public support and revenue	<u>1,911,808</u>	<u>75,000</u>	<u>1,986,808</u>
Expenses			
Program services	<u>1,706,338</u>	<u>-</u>	<u>1,706,338</u>
Supporting services			
Fundraising	140,728	-	140,728
General and administrative	<u>157,118</u>	<u>-</u>	<u>157,118</u>
Total supporting services	<u>297,846</u>	<u>-</u>	<u>297,846</u>
Total expenses	<u>2,004,184</u>	<u>-</u>	<u>2,004,184</u>
Change in Net Assets	(92,376)	75,000	(17,376)
Net Assets, Beginning of Year	<u>1,810,072</u>	<u>80,500</u>	<u>1,890,572</u>
Net Assets, End of Year	<u>\$ 1,717,696</u>	<u>\$ 155,500</u>	<u>\$ 1,873,196</u>

Boys Hope Girls Hope of Arizona, Inc.
 Statements of Functional Expenses
 Years Ended June 30, 2022 and 2021

	2022			
	Program Services	Fundraising	General and Administrative	Total
Staff Salaries	\$ 540,184	\$ 93,632	\$ 86,429	\$ 720,245
Payroll Taxes and Employee Benefits	105,857	18,349	16,937	141,143
Total payroll costs	646,041	111,981	103,366	861,388
Assistance to Youth	952,565	-	-	952,565
Depreciation	48,878	2,715	2,716	54,309
Payments to National Affiliate	26,776	-	11,476	38,252
Occupancy	98,391	5,466	5,466	109,323
Newsletter and Promotional	1,198	150	150	1,498
Transportation	23,237	-	-	23,237
Equipment Rental	3,058	655	655	4,368
Professional Fees	24,046	12,023	12,023	48,092
Insurance	29,045	-	9,682	38,727
Building Furnishings	3,123	-	-	3,123
Supplies, Stationary, and Postage	10,956	2,348	2,348	15,652
Domestic Supplies	2,422	-	-	2,422
Bank Fees	-	-	4,958	4,958
Special Events Expenses -				
Direct Donor Benefits	-	109,515	-	109,515
Third-Party Events	-	4,871	-	4,871
Miscellaneous	7,521	-	7,521	15,042
Total Functional Expenses	1,877,257	249,724	160,361	2,287,342
Less Expenses Netted Against Revenues in the Statement of Activities (Direct Donor Benefits)	-	(109,515)	-	(109,515)
Total Functional Expense Reported in the Statement of Activities	<u>\$ 1,877,257</u>	<u>\$ 140,209</u>	<u>\$ 160,361</u>	<u>\$ 2,177,827</u>

Boys Hope Girls Hope of Arizona, Inc.
 Statements of Functional Expenses
 Years Ended June 30, 2022 and 2021

	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 Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	\$ 54,943	\$ (17,376)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	54,309	55,445
Net investment return	4,625	1,539
Donated investments	(9,881)	(10,040)
Paycheck Protection Program forgiveness	(154,695)	(145,570)
Changes in assets and liabilities		
Accounts receivable	5,785	(5,760)
Promises to give	20,500	(83,000)
Prepaid expenses	(3,261)	9,211
Accounts payable	30,518	(14,795)
Accrued expenses	13,021	16,993
Refundable advance - Paycheck Protection Program	-	154,695
Net Cash from (used for) Operating Activities	<u>15,864</u>	<u>(38,658)</u>
Investing Activities		
Proceeds on sale of investments	205,000	624,857
Purchase of investments	<u>(203,424)</u>	<u>(608,009)</u>
Net Cash from Investing Activities	<u>1,576</u>	<u>16,848</u>
Financing Activities		
Payments on capital lease obligation	<u>(4)</u>	<u>(1)</u>
Net Cash used for Financing Activities	<u>(4)</u>	<u>(1)</u>
Net Change in Cash and Restricted Cash	17,436	(21,811)
Cash and Restricted Cash, Beginning of Year	<u>389,007</u>	<u>410,818</u>
Cash and Restricted Cash, End of Year	<u>\$ 406,443</u>	<u>\$ 389,007</u>
Supplemental Disclosure of Cash Flow Information		
Cash	\$ 325,943	\$ 308,507
Restricted cash	<u>80,500</u>	<u>80,500</u>
Total Cash and Restricted Cash, End of Year	<u>\$ 406,443</u>	<u>\$ 389,007</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, 2022 and 2021, restricted cash of \$80,500 represents cash restricted for the endowment balance.

Promises to Give

BHGH records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. 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, 2022 and 2021, 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 carrying values of property and equipment are reviewed 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 year ended June 30, 2022 and 2021.

Investments

BHGH records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values 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 external and direct internal investment expenses.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported 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) restrictions. Some donor imposed (or grantor) 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 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, 2022 and 2021.

In-Kind Contributions

In-kind contributions include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received (Note 10). BHGH does not sell donated gifts-in-kind. In addition to in-kind contributions, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Functional Expense Allocation

The costs of program and supporting services 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). BHGH is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. 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 BHGH to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

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. Adoption of the standard will have a significant impact on BHGH's financial statements, including bringing leases on to the statement of financial position as a right of use asset and lease liability.

Change in Accounting Principle

As of July 1, 2021, BHGH adopted the provision of Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires enhanced presentation and disclosure of contributed nonfinancial assets. Management has adopted the amendments of this update on a retrospective basis because it provides increased and more transparent disclosure around contributed nonfinancial assets.

Subsequent Events

BHGH has evaluated subsequent events through December 21, 2022, 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>2022</u>	<u>2021</u>
Cash	\$ 325,943	\$ 308,507
Accounts receivable	1,100	6,885
Promises to give	<u>42,500</u>	<u>38,000</u>
	<u>\$ 369,543</u>	<u>\$ 353,392</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

Certain assets are reported 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 or a liability 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, considering 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 BHGH's 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, 2022:

	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	\$ 499,915	\$ 499,915	\$ -	\$ -
	505,699	-	505,699	-
Total investments	\$ 1,005,614	\$ 499,915	\$ 505,699	\$ -

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	\$ -

Boys Hope Girls Hope of Arizona, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Net investment return consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 699	\$ 2,267
Net realized and unrealized gain (loss)	<u>3,926</u>	<u>(728)</u>
	<u>\$ 4,625</u>	<u>\$ 1,539</u>

Note 4 - Property and Equipment

Property and equipment consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 157,811	\$ 130,111
Land held under capital lease	-	27,700
Girls home building	597,505	597,505
Boys home building	499,724	499,724
Furniture and fixtures	119,819	121,369
Vehicles	138,864	138,864
Computer equipment	20,478	62,616
Building improvements	<u>7,100</u>	<u>7,100</u>
	1,541,301	1,584,989
Accumulated depreciation	<u>(980,803)</u>	<u>(970,182)</u>
Property and equipment, net	<u>\$ 560,498</u>	<u>\$ 614,807</u>

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 or other agreed-upon date, title to the land shall automatically pass to BHGH. Title to the land passed to BHGH during 2022. As the title passed in 2022, the capital lease has since ended.

Note 6 - Paycheck Protection Program Loan

During the year ended June 30, 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 was uncollateralized and fully guaranteed by the federal government. BHGH initially recorded a refundable advance and subsequently recorded forgiveness when the loan obligation was legally released by the SBA. BHGH has recognized \$154,695 as contribution revenue for the year ended June 30, 2022.

During the year ended June 30, 2020, BHGH was granted a \$145,570 loan under the PPP administered by an SBA approved partner. The loan was uncollateralized and fully guaranteed by the federal government. BHGH initially recorded a refundable advance and subsequently recorded forgiveness when the loan obligation was legally released by the SBA. BHGH recognized \$145,570 as contribution revenue for the year ended June 30, 2022.

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, 2022 and 2021, 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, 2022:

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose		
Scholar transportation project	\$ 80,000	\$ -
Subject to the Passage of Time		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	67,500	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>\$ 228,000</u>	<u>\$ 155,500</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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Expiration of time restrictions	<u>\$ 25,000</u>	<u>\$ -</u>

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.

Boys Hope Girls Hope of Arizona, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

The composition of endowment net assets by fund type as of June 30, 2022 and 2021 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Balance, July 1, 2020	\$ -	\$ 80,500	\$ 80,500
Investment return			
Investment income	-	89	89
Endowment draw for expenditure	-	(89)	(89)
Balance, June 30, 2021	-	80,500	80,500
Investment return			
Investment income	-	264	264
Endowment draw for expenditure	-	(264)	(264)
Balance, June 30, 2022	<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, 2022:

	Program Services	Management and General	Fundraising and Development	Total
In-kind rent	\$ 50,468	\$ 2,804	\$ 2,804	\$ 56,076
In-kind tuition	726,758	-	-	726,758
Other donated gifts in-kind	28,042	2,897	-	30,939
	<u>\$ 805,268</u>	<u>\$ 5,701</u>	<u>\$ 2,804</u>	<u>\$ 813,773</u>

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>

Contributed rent is received for both the main office location of BHGH as well as classroom space to be used in program services. BHGH receives rent based on square footage of the location and the market rate charged by the owner for similar space in the same building. In addition to the in-kind rent, BHGH also receives parking and custodial services.

Contributed tuition are scholarships awarded by the schools through BHGH rather than being directly awarded to the students. Contributed scholarships are used in program services and are recognized at fair value based on the current scholarship tuition rates.

Other donated gifts in-kind include gift cards and other donated goods for students. BHGH recognizes the donation at fair value based on identical or similar products using pricing data under a "like-kind" methodology considering the goods' condition and utility for use at the time of the contribution. BHGH uses these gifts program services.

All gifts-in-kind received during the years ended December June 30, 2022 and 2021 were unrestricted.

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 \$38,252 and \$33,517 for the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, there were no amounts outstanding as a payable to National.

BHGH received no contributions from National during the years ended June 30, 2022 and 2021.

During the years ended June 30, 2022 and 2021, BHGH received contributions from board members totaling \$73,622 and \$68,262, 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, 2022. During the years ended June 30, 2022 and 2021, account fees were \$840 and \$800, respectively.