

**BOYS HOPE GIRLS HOPE OF BALTIMORE, INC.
FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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Independent Auditor's Report

To the Board of Directors
Boys Hope Girls Hope of Baltimore, Inc.

We have audited the accompanying financial statements of Boys Hope Girls Hope of Baltimore, Inc. (a nonprofit organization), 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys Hope Girls Hope of Baltimore, Inc. 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.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
October 15, 2021

BOYS HOPE GIRLS HOPE OF BALTIMORE, INC.
Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash	\$ 361,897	\$ 297,643
Prepaid expenses	3,235	1,645
Total Current Assets	<u>365,132</u>	<u>299,288</u>
Property		
Land	165,341	165,341
Buildings and improvements	1,872,008	1,866,358
Vehicles	82,580	93,661
Furniture and equipment	12,233	12,233
Total Cost	<u>2,132,162</u>	<u>2,137,593</u>
Less: Accumulated depreciation	633,122	602,761
Net Property	<u>1,499,040</u>	<u>1,534,832</u>
Total Assets	<u><u>\$ 1,864,172</u></u>	<u><u>\$ 1,834,120</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 6,128	\$ 3,396
Accrued expenses	38,065	23,022
Deferred revenue	-0-	26,977
Current maturities of long-term debt	21,852	20,481
Total Current Liabilities	<u>66,045</u>	<u>73,876</u>
Non-Current Liabilities		
Paycheck Protection Program loans	83,742	83,742
Long-term debt, net of current maturities	152,083	177,347
Total Non-Current Liabilities	<u>235,825</u>	<u>261,089</u>
Total Liabilities	<u>301,870</u>	334,965
Commitments (Notes 4 and 6)		
Net Assets		
Without donor restrictions	1,514,969	1,416,606
With donor restrictions	47,333	82,549
Total Net Assets	<u>1,562,302</u>	<u>1,499,155</u>
Total Liabilities and Net Assets	<u><u>\$ 1,864,172</u></u>	<u><u>\$ 1,834,120</u></u>

The accompanying notes are an integral part of these financial statements.

BOYS HOPE GIRLS HOPE OF BALTIMORE, INC.
Statements of Activities
Years Ended June 30, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 443,928	\$ 15,000	\$ 458,928
Special events net of expenses of \$28,927 (2020 - \$5,323)	266,775	-0-	266,775
In-kind tuition contributions	140,155	-0-	140,155
Government grant (PPP Loan)	83,742	-0-	83,742
In-kind donations	21,444	-0-	21,444
Gain on disposal of property	1,600	-0-	1,600
Other income	400	-0-	400
Net investment income	76	-0-	76
In-kind rent	-0-	-0-	-0-
Debt forgiveness from the National Organization	-0-	-0-	-0-
Net assets released from restrictions	50,216	(50,216)	-0-
Total Support and Revenue	<u>1,008,336</u>	<u>(35,216)</u>	<u>973,120</u>
Expenses			
Program services	724,293	-0-	724,293
Management and general	72,503	-0-	72,503
Fundraising	113,177	-0-	113,177
Total Expenses	<u>909,973</u>	<u>-0-</u>	<u>909,973</u>
Change in Net Assets	98,363	(35,216)	63,147
Net Assets at Beginning of Year	<u>1,416,606</u>	<u>82,549</u>	<u>1,499,155</u>
Net Assets at End of Year	<u><u>\$ 1,514,969</u></u>	<u><u>\$ 47,333</u></u>	<u><u>\$ 1,562,302</u></u>

2020

Without Donor Restrictions	With Donor Restrictions	Total	Increase (Decrease)
\$ 351,454	\$ 57,500	\$ 408,954	\$ 49,974
240,775	-0-	240,775	26,000
90,780	-0-	90,780	49,375
-0-	-0-	-0-	83,742
-0-	-0-	-0-	21,444
-0-	-0-	-0-	1,600
25	-0-	25	375
96	-0-	96	(20)
25,938	-0-	25,938	(25,938)
44,272	-0-	44,272	(44,272)
38,059	(38,059)	-0-	-0-
<u>791,399</u>	<u>19,441</u>	<u>810,840</u>	<u>162,280</u>
635,520	-0-	635,520	88,773
79,011	-0-	79,011	(6,508)
110,569	-0-	110,569	2,608
<u>825,100</u>	<u>-0-</u>	<u>825,100</u>	<u>84,873</u>
(33,701)	19,441	(14,260)	<u>\$ 77,407</u>
<u>1,450,307</u>	<u>63,108</u>	<u>1,513,415</u>	
<u>\$ 1,416,606</u>	<u>\$ 82,549</u>	<u>\$ 1,499,155</u>	

The accompanying notes are an integral part of these financial statements.

BOYS HOPE GIRLS HOPE OF BALTIMORE, INC.

Statements of Functional Expenses

Years Ended June 30, 2021 and 2020

	2021			
	Program Services	Management and General	Fundraising	Total
Personnel Costs:				
Directors and coordinators	\$ 153,708	\$ 25,618	\$ 76,854	\$ 256,180
Counselors and house parents	159,833	-0-	-0-	159,833
Fringe benefits and payroll taxes	63,456	6,346	20,850	90,652
Stipends	-0-	-0-	-0-	-0-
Total personnel costs	<u>376,997</u>	<u>31,964</u>	<u>97,704</u>	<u>506,665</u>
Assistance to youth	200,848	-0-	-0-	200,848
Depreciation and amortization	52,103	7,919	-0-	60,022
Insurance	28,663	4,095	8,189	40,947
Special events	-0-	-0-	28,927	28,927
Administrative expenses - national	17,020	5,673	5,673	28,366
Repairs and maintenance	16,962	-0-	-0-	16,962
Utilities	14,977	-0-	-0-	14,977
Professional fees	-0-	11,600	-0-	11,600
Other administrative expenses	-0-	9,743	-0-	9,743
Interest expense	8,882	-0-	-0-	8,882
Office supplies	1,006	1,006	1,341	3,353
Promotion and marketing	3,004	-0-	-0-	3,004
Transportation	2,935	-0-	-0-	2,935
Postage	202	202	270	674
Travel	301	301	-0-	602
Domestic supplies	393	-0-	-0-	393
Rent	-0-	-0-	-0-	-0-
Total Expenses	<u>724,293</u>	<u>72,503</u>	<u>142,104</u>	<u>938,900</u>
Less: Special events expenses netted with special events revenue in the statements of activities	-0-	-0-	(28,927)	(28,927)
Total Expenses	<u><u>\$ 724,293</u></u>	<u><u>\$ 72,503</u></u>	<u><u>\$ 113,177</u></u>	<u><u>\$ 909,973</u></u>

2020

Program Services	Management and General	Fundraising	Total	Increase (Decrease)
\$ 149,052	\$ 24,842	\$ 74,526	\$ 248,420	\$ 7,760
108,852	-0-	-0-	108,852	50,981
47,370	4,737	15,565	67,672	22,980
482	-0-	-0-	482	(482)
<u>305,756</u>	<u>29,579</u>	<u>90,091</u>	<u>425,426</u>	<u>81,239</u>
163,494	-0-	-0-	163,494	37,354
53,375	7,353	-0-	60,728	(706)
32,358	4,623	9,245	46,226	(5,279)
-0-	-0-	5,323	5,323	23,604
16,349	5,450	5,450	27,249	1,117
7,261	-0-	-0-	7,261	9,701
16,156	-0-	-0-	16,156	(1,179)
-0-	10,500	-0-	10,500	1,100
-0-	15,689	-0-	15,689	(5,946)
12,884	-0-	-0-	12,884	(4,002)
1,453	1,453	1,937	4,843	(1,490)
1,161	-0-	-0-	1,161	1,843
6,589	-0-	-0-	6,589	(3,654)
119	119	158	396	278
557	557	-0-	1,114	(512)
796	-0-	-0-	796	(403)
17,212	3,688	3,688	24,588	(24,588)
<u>635,520</u>	<u>79,011</u>	<u>115,892</u>	<u>830,423</u>	<u>108,477</u>
-0-	-0-	(5,323)	(5,323)	(23,604)
<u>\$ 635,520</u>	<u>\$ 79,011</u>	<u>\$ 110,569</u>	<u>\$ 825,100</u>	<u>\$ 84,873</u>

The accompanying notes are an integral part of these financial statements.

BOYS HOPE GIRLS HOPE OF BALTIMORE, INC.
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 63,147	\$ (14,260)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	60,022	60,728
Gain on disposal of property	(1,600)	-0-
Forgiveness of Paycheck Protection Program loan	(83,742)	-0-
Changes in operating assets and liabilities:		
Prepaid expenses	(1,590)	8,417
Accounts payable	2,732	(92,995)
Accrued expenses	15,043	(5,424)
Deferred revenue	(26,977)	26,977
Net Cash Provided by (Used in) Operating Activities	<u>27,035</u>	<u>(16,557)</u>
Cash Flows from Investing Activities		
Purchase of property	(24,230)	(24,784)
Proceeds from property disposal	1,600	-0-
Net Cash Used in Investing Activities	<u>(22,630)</u>	<u>(24,784)</u>
Cash Flows from Financing Activities		
Proceeds from long-term debt	83,742	83,742
Payments on notes payable	(23,893)	(19,889)
Net Cash Provided by Financing Activities	<u>59,849</u>	<u>63,853</u>
Net Increase in Cash	64,254	22,512
Cash - Beginning of Year	<u>297,643</u>	<u>275,131</u>
Cash - End of Year	<u>\$ 361,897</u>	<u>\$ 297,643</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 8,882</u>	<u>\$ 12,884</u>

The accompanying notes are an integral part of these financial statements.

BOYS HOPE GIRLS HOPE OF BALTIMORE, INC.
Notes to Financial Statements
June 30, 2021 and 2020

Note 1: Nature of Organization and Summary of Significant Accounting Policies

Boys Hope Girls Hope of Baltimore, Inc. (the "Organization") was organized as a not-for-profit corporation on August 9, 2001, and began operations with the opening of its first residence in Baltimore, Maryland in 2002. The purpose of the Organization is to provide housing and education assistance for displaced youth. The Organization places these children in a family environment that allows them to mature and succeed through guidance, education, financial support and encouragement while challenging them to live up to their religious convictions. The Organization sponsors various activities to secure support from the public for the needs and overall direction of the Organization. The Organization is an independent incorporated affiliate of Boys Hope Girls Hope, Inc. (the "National Organization").

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Basis of Presentation: The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions.

Net Assets with Donor Restrictions: Net assets subject to donor-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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Property and Depreciation: Property is stated at cost or, if donated, at the approximate fair value at the date of donation. Expenditures for maintenance and routine repairs are charged to expense as incurred; expenditures for improvements and major repairs that materially extend the useful lives of assets are capitalized. The Organization's threshold for capitalization is any acquisition that meets the above criteria and is greater than or equal to \$5,000. Depreciation is computed using the straight-line method over the following estimated lives:

Buildings and improvements	15-40 Years
Vehicles	5-10 Years
Furniture and equipment	7 years

Contributions: Contributions received are recorded without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction is met in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. Net assets with donor restrictions are reclassified to net assets without donor restrictions when the related restriction is fulfilled or expires.

BOYS HOPE GIRLS HOPE OF BALTIMORE, INC.
Notes to Financial Statements
June 30, 2021 and 2020

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Unconditional promises to give support are recognized as contributions support and revenue in the year the promises to give are made. Conditional pledges to give, which depend on the occurrence of a specified future and uncertain event, are not recognized as support and revenue until the condition has been met.

Donated Assets: Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Services: Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Organization. A substantial number of unpaid volunteers have made significant contributions of their time and services to the Organization. The value of this contributed time is not recorded as a contribution in these financial statements since the recognition criteria was not met.

Income Taxes: The Organization is exempt from federal and state income taxes under Internal Revenue Code §501(c)(3). Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. The Organization had no unrelated business income for both years ended June 30, 2021 and 2020. Accordingly, no provision for income taxes is reflected in these financial statements. The Organization does not file a federal income tax return as all of its activities are included in the Federal Form 990 filed by the National Organization.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Costs that cannot be specifically identified with a particular function and that benefit more than one functional category are allocated, generally based on estimates of the portion of time expended by the staff on the various functions.

Recently Issued Accounting Pronouncements: The Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* which will be effective for fiscal years beginning after December 15, 2021. The distinction between finance leases and operating leases is substantially similar to the distinction between capital leases and operating leases in the previous leases guidance. Lessor accounting is also largely unchanged. For lessees, leases under both categories will be reported on the statement of financial position as a depreciable right-to-use asset and a related liability to make lease payments. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. The asset will be depreciated and the liability will be reduced by lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. Management has elected not to early adopt this standard and will assess the future impact on any leases.

Subsequent Events: In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 15, 2021, the date the financial statements were available to be issued. During the period from July 1, 2021 through October 15, 2021, the Organization did not have any material recognizable subsequent events.

BOYS HOPE GIRLS HOPE OF BALTIMORE, INC.
Notes to Financial Statements
June 30, 2021 and 2020

Note 2: Liquidity and Availability of Funds

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

	<u>2021</u>	<u>2020</u>
Cash	\$ 361,897	\$ 297,643
Less: Donor imposed restrictions	<u>(47,333)</u>	<u>(82,549)</u>
Net Financial Assets Available for General Expenditures	<u>\$ 314,564</u>	<u>\$ 215,094</u>

The Organization receives significant contributions and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity following two guiding principles: operating within a prudent range of financial soundness and stability, and maintaining adequate liquid assets to fund near-term operating needs.

None of the financial assets other than disclosed above are subject to donor restrictions or other contractive restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

Note 3: Related Party

The Organization pays the National Organization a quarterly fee of for administrative costs. These fees are included in administrative expenses. Total fees paid during the years ending June 30, 2021 and 2020 were \$28,366 and \$27,249, respectively.

Note 4: Long Term Debt and Paycheck Protection Program

On September 14, 2017, the Organization obtained a five-year term loan with M&T Bank for \$250,000. The loan calls for monthly payments of \$2,731 at a variable rate (4.75% at June 30, 2020), with a balloon payment in September 2022. The loan is collateralized by the community center property.

The aggregate annual maturities of long-term debt for each of the years subsequent to June 30, 2021 are as follows:

2022	\$ 21,852
2023	<u>152,083</u>
	<u>\$ 173,935</u>

BOYS HOPE GIRLS HOPE OF BALTIMORE, INC.
Notes to Financial Statements
June 30, 2021 and 2020

Note 4: Long Term Debt and Paycheck Protection Program (Continued)

The Organization applied for and received funds in the amount of \$83,742 under the Paycheck Protection Program (PPP), which was created as a result of the coronavirus pandemic. The proceeds are considered a forgivable loan, assuming certain qualified expenses, primarily payroll related expenses, are incurred during a 8-week period, commencing on the date of the loan agreement (April 16, 2020). Any portion of this loan that does not qualify for forgiveness is subject to an interest rate of 1%. The original loan document required monthly principal installments plus interest over an eighteen-month period commencing on November 16, 2020 with a maturity date of April 16, 2022. Under the Paycheck Protection Flexibility Act of 2020 the forgiveness period has been extended to 24 weeks. The start of the repayment of principal period has been extended until 10 months after the end of the 24 week period and the maturity date extend to 5 years from the date of the loan. This PPP loan has been presented as a debt obligation as of June 30, 2020. The Organization applied for and received full forgiveness of the PPP loan on December 30, 2020 and the proceeds have been included on the statements of activities as government grants (PPP loan) for the year ended June 30, 2021.

The Organization once again applied for and received additional funds in the amount of \$83,742 under the Paycheck Protection Program - 2nd draw (PPP2). As with the original PPP loan, the proceeds are considered a forgivable loan, assuming certain qualified expenses, primarily payroll related expenses, are incurred during 24-week period, commencing on the date of the loan agreement (February 3, 2021). Any portion of this loan that does not qualify for forgiveness is subject to an interest rate of 1%. The loan document requires monthly principal installments plus interest commencing one month after the earlier of: the date the SBA officially forgives only a portion of the loan; the date the SBA denies forgiveness; 10 months after the end of the 24-week period; or 16 months after the loan proceeds are disbursed. The loan has a maturity date of February 3, 2026. Even though this has been presented as a debt obligation as of June 30, 2021 on the statements of financial position, it is the Organization's position that this entire PPP loan will qualify for forgiveness.

Note 5: Net Assets with Donor Restrictions

The Organization's net assets with donor restrictions of as of June 30, 2021 and 2020 were available for the following purposes:

	2021	2020
STEM Program	\$ 42,333	\$ 52,333
Scholar tuition	5,000	-0-
Vehicle purchase	-0-	30,216
	<u>\$ 47,333</u>	<u>\$ 82,549</u>

BOYS HOPE GIRLS HOPE OF BALTIMORE, INC.
Notes to Financial Statements
June 30, 2021 and 2020

Note 6: Retirement Plan

The Organization maintains a tax deferred retirement plan qualified under section 401(k) of the Internal Revenue Code (the "Plan"). Under the Plan, eligible employees may make pretax contributions, with the Organization matching the first 3% of the employees' contribution. The Organization may also make discretionary contributions to eligible employees. The Organization contributed \$-0- and \$582 to the Plan for the years ended June 30, 2021 and 2020, respectively. The Organization also received credits for forfeitures from the National Organization of \$5,597 and \$4,247 for the years ended June 30, 2021 and 2020, respectively. Some of these credits were used to reduce the Organization's contributions to the Plan. In the years ended June 30, 2021 and 2020, the Organization utilized \$3,405 and \$1,603 of these forfeitures to offset contributions.

Note 7: Other Matter

Cash and Cash Equivalents: The Organization maintains its cash balances in one financial institution. Periodically during the year, the Organization's cash balances may have exceeded federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to significant risk on its cash balances.

National Health Emergency: In March 2020, the President of the United States declared a national emergency due to a viral pandemic. The declaration of the national emergency and similar declarations made by various states, and the outbreak of the virus itself, have had far reaching social, economic, and financial impacts on the country going forward. The pandemic continues and at this time, the impact on the operation and the financial status of the Organization cannot be determined.

