
BOYS HOPE GIRLS HOPE OF GREATER NEW ORLEANS

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date APR 16 2014

P&N Postlethwaite
& Netterville

A Professional Accounting Corporation

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BOYS HOPE GIRLS HOPE OF GREATER NEW ORLEANS

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Boys Hope Girls Hope of Greater New Orleans
New Orleans, Louisiana:

Report on the Financial Statements

We have audited the accompanying financial statements of Boys Hope Girls Hope of Greater New Orleans (the Organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

As explained in Note 3 to the financial statements, the Organization leases land at a nominal value. Accounting principles generally accepted in the United States of America require that such contribution be recorded at present value at the inception of the lease. The effects on the financial statements of the preceding practice are not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Boys Hope Girls Hope of Greater New Orleans, as of June 30, 2013 and 2012, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Postlethwaite + Nettewille

Metairie, Louisiana
December 20, 2013

BOYS HOPE GIRLS HOPE OF GREATER NEW ORLEANS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

ASSETS

	2013	2012
ASSETS		
Current assets:		
Cash	\$ 206,313	\$ 102,216
Contribution receivable	4,667	-
Other receivable	1,113	1,000
Total current assets	212,093	103,216
Long term assets:		
Restricted investment - endowment fund	613,336	570,978
Property and equipment, net of accumulated depreciation	1,236,192	1,258,718
Total long term assets	1,849,528	1,829,696
TOTAL ASSETS	\$ 2,061,621	\$ 1,932,912

LIABILITIES AND NET ASSETS

LIABILITIES

Current liabilities:		
Accounts payable	\$ 249	\$ 1,612
Salaries and payroll taxes payable	21,133	23,868
Note payable - current portion	7,424	6,999
Compensated absences payable	22,987	13,855
Total current liabilities	51,793	46,334
Long term liabilities:		
Note payable	118,576	235,455
Total long term liabilities	118,576	235,455
TOTAL LIABILITIES	\$ 170,369	\$ 281,789

NET ASSETS

Unrestricted net assets	\$ 1,252,841	\$ 1,080,145
Temporarily restricted net assets	188,411	120,978
Permanently restricted net assets	450,000	450,000
Total net assets	1,891,252	1,651,123
TOTAL LIABILITIES AND NET ASSETS	\$ 2,061,621	\$ 1,932,912

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

BOYS HOPE GIRLS HOPE OF GREATER NEW ORLEANS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND OTHER REVENUES:								
Contributions	\$ 423,823	\$ 48,800	\$ -	\$ 472,623	\$ 391,229	\$ -	\$ -	\$ 391,229
United Way	13,978	-	-	13,978	32,244	-	-	32,244
Special events revenue, net of expenses of \$49,673 and \$55,904 respectively	283,220	-	-	283,220	217,137	-	-	217,137
Net investment income	-	75,543	-	75,543	-	6,013	-	6,013
State grant income	159,645	-	-	159,645	-	-	-	-
Miscellaneous income	16,031	-	-	16,031	331	-	-	331
Release of temporarily restricted net assets	56,910	(56,910)	-	-	25,359	(25,359)	-	-
Total support and other revenues	953,607	67,433	-	1,021,040	666,300	(19,346)	-	646,954
EXPENSES:								
Program services	579,307	-	-	579,307	584,938	-	-	584,938
Management and general	201,604	-	-	201,604	184,550	-	-	184,550
Total expenses	780,911	-	-	780,911	769,488	-	-	769,488
CHANGE IN NET ASSETS	172,696	67,433	-	240,129	(103,188)	(19,346)	-	(122,534)
NET ASSETS - BEGINNING OF THE YEAR	1,080,145	120,978	450,000	1,651,123	1,183,333	140,324	450,000	1,773,657
NET ASSETS - END OF YEAR	\$ 1,252,841	\$ 188,411	\$ 450,000	\$ 1,891,252	\$ 1,080,145	\$ 120,978	\$ 450,000	\$ 1,651,123

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

BOYS HOPE GIRLS HOPE OF GREATER NEW ORLEANS
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>			<u>2012</u>		
	<u>Program</u>	<u>Management and General</u>	<u>Total</u>	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Administrative service fee	\$ -	\$ 10,000	\$ 10,000	\$ -	\$ 10,000	\$ 10,000
Assistance to youth	6,317	-	6,317	4,968	-	4,968
Automobile	23,832	-	23,832	23,121	-	23,121
Clothing	3,142	-	3,142	2,424	-	2,424
Depreciation	42,796	360	43,156	39,384	360	39,744
Domestic Supplies	3,874	-	3,874	4,409	-	4,409
Educational supplies	1,455	-	1,455	2,983	-	2,983
Employee benefits	43,429	13,157	56,586	40,285	15,666	55,951
Food	12,478	-	12,478	19,901	-	19,901
Insurance	9,689	22,832	32,521	30,684	970	31,654
Medical supplies	3,250	-	3,250	5,896	-	5,896
Membership dues	2,427	1,156	3,583	908	445	1,353
Miscellaneous	10,454	26,668	37,122	6,017	33,652	39,669
Office expense	704	3,449	4,153	800	3,751	4,551
Payroll taxes	17,937	7,808	25,745	19,195	7,370	26,565
Postage	-	1,846	1,846	-	1,380	1,380
Professional fees	-	10,378	10,378	-	8,367	8,367
Repairs and maintenance	9,334	1,203	10,537	5,334	769	6,103
Salaries and stipends	242,527	100,566	343,093	258,944	99,500	358,444
Staff training	711	-	711	1,096	649	1,745
Summer programs	3,279	-	3,279	4,510	-	4,510
Telephone	3,154	901	4,055	3,481	1,069	4,550
Travel and entertainment	6,391	841	7,232	6,389	540	6,929
Tuition	110,953	-	110,953	86,828	-	86,828
Utilities	21,174	439	21,613	17,381	62	17,443
Total	<u>\$ 579,307</u>	<u>\$ 201,604</u>	<u>\$ 780,911</u>	<u>\$ 584,938</u>	<u>\$ 184,550</u>	<u>\$ 769,488</u>

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

BOYS HOPE GIRLS HOPE OF GREATER NEW ORLEANS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 240,129	\$ (122,534)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	43,156	39,744
In-kind donation of vehicles	(7,440)	-
Unrealized loss (gain) on investments	(57,268)	11,366
Changes in operating assets and liabilities:		
Contribution receivable	(4,667)	(1,000)
Other receivables	(113)	7,024
Accrued and other liabilities	5,459	(182)
Net cash provided by (used in) operating activities	<u>219,256</u>	<u>(65,582)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchases of property and equipment	(13,190)	(7,415)
Proceeds from sale of investments	31,897	24,001
Purchases of investments	(16,987)	(16,021)
Net cash provided by investing activities	<u>1,720</u>	<u>565</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Payments on mortgage note	(116,879)	(6,967)
Net cash used in investing activities	<u>(116,879)</u>	<u>(6,967)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	104,097	(71,984)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>102,216</u>	<u>174,200</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 206,313</u>	<u>\$ 102,216</u>

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

BOYS HOPE GIRLS HOPE OF GREATER NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Activity

Boys Hope Girls Hope of Greater New Orleans (the Organization) which is an affiliate of the national Boys Hope Girls Hope organization (Boys Hope Girls Hope National) is a community-based, non-profit, corporation which provides living facilities, educational opportunities, and social services to displaced boys and girls in the Greater New Orleans area. The Organization is supported primarily through donor contributions and revenue from special events.

Method of reporting

The accompanying financial statements are presented on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded when incurred. Contributions are recognized when received or when unconditionally promised.

Financial statement presentation

Generally accepted accounting principles require reporting of information regarding financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets, based on donor stipulations and restrictions placed on contributions, if any. Accordingly, net assets and changes therein are classified and reported as follows:

- Unrestricted net assets - Contracts for services, contributions, and other revenues and expenditures of funds for the general operation of its programs.
- Temporarily restricted net assets - Contributions and other revenues specifically authorized by the donor or grantor to be used for specific purposes or to benefit specific accounting periods.
- Permanently restricted net assets - Contributions with donor-imposed restrictions that stipulate that resources be maintained permanently, but permits the use of all or part of the income derived.

FASB Accounting Standards Codification 958-205, Endowments of Not-For-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds provides guidance on classifying the net assets (equity) associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. This standard also requires additional disclosures about endowments (both donor-restricted funds and board-designated funds) for all organizations, including those that are not yet subject to an enacted version of UPMIFA.

BOYS HOPE GIRLS HOPE OF GREATER NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

The Organization adopted, "Fair Value Measurements", with the exception of non-financial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), which was delayed by Accounting Standards Codification 820-10-15-1A. Fair Value Measurements defines fair value, establishes a framework for measuring fair value and expands disclosures regarding fair value measurements.

Use of estimates

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

Expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash

For the purposes of the statements of cash flows, cash balances consist of amounts on deposit with financial institutions.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value based on available market quotes in the statements of financial position and as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or law. Unrealized gains that are restricted by donors are reported as increases in temporarily restricted net assets. Unrealized gains absent restriction and unrealized losses are reported as increases and decreases in unrestricted net assets.

BOYS HOPE GIRLS HOPE OF GREATER NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Investments (continued)

Interest earned on donor-restricted investments is reported based on the existence or absence of donor-imposed restrictions. The Organization's endowments provide for a certain percentage of current year earnings to be returned to the endowment for perpetual investment. The return of these earnings is reported as increases in temporarily restricted net assets. The earnings are recorded as increases in temporarily restricted net assets and are available to the Organization for distribution in accordance with the endowment agreement or may be returned to the endowment by the Organization for perpetual investment. Realized gains and losses, and declines in value judged to be other than temporary, are included in net appreciation (depreciation) of investments. Realized gains and losses on the sales of securities are determined using the specific-identification method. A decline in the fair value of investments below cost that is deemed to be other than temporary results in a charge to change in net assets and the establishment of a new cost basis for the investment.

Property and equipment

The Organization follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$2,000. Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings	30 Years
Furniture, fixtures, and office equipment	5 - 7 Years
Vehicles	5 Years

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The cost of maintenance and repairs is charged to expense as incurred. Significant renewals and improvements are capitalized.

BOYS HOPE GIRLS HOPE OF GREATER NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Contributions

In accordance with, Accounting Standards Codification 958-605, Accounting for Contributions Received and Contributions Made, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Under ASC No. 958-605, time restricted contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction.

Donated use of space, services, materials and equipment

Donated use of space and services are reflected as contributions at their estimated value and are recorded as expenses for program services when determinable. Donated materials and equipment are reflected as contributions at their estimated values as of the date of receipt and are recorded as expenses for program services when they are consumed or used.

Tax exempt status

The Boys Hope Girls Hope national organization files one consolidated return which includes activity and information for certain local chapters that are included in the Group Exemption Determination Letter received from the IRS. The Boys Hope Girls Hope national organization is exempt from income taxes under the provisions of the Internal Revenue Service Code Sections 501(c) (3) and the Louisiana Revised Statutes; therefore, no provision for federal and state income taxes has been made.

The Organization applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than 50% percent likelihood of being sustained upon examination by the taxing authorities. As a result of implementing this approach, the Organization has reviewed its tax positions and determined there were no outstanding, or retroactive tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities, therefore the implementation of this standard has not had a material effect on the Organization. The Organization provides information to the national office for filing of the Boys Hope Girls Hope National tax return.

BOYS HOPE GIRLS HOPE OF GREATER NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

2. Property and Equipment

Property and equipment is summarized as follows at June 30:

	<u>2013</u>	<u>2012</u>
Land	\$ 167,432	\$ 167,432
Buildings	1,281,810	1,281,810
Furniture and fixtures	21,744	21,744
Automobiles	20,630	29,791
Office equipment	<u>1,813</u>	<u>1,813</u>
	1,493,429	1,502,590
Less: accumulated depreciation	<u>(257,237)</u>	<u>(243,872)</u>
	<u>\$ 1,236,192</u>	<u>\$ 1,258,718</u>

Depreciation expense for the years ended June 30, 2013 and 2012 was \$43,156 and \$39,744, respectively.

3. Donated Use of Space and Services

The Organization provides educational services to its program participants. Free and/or reduced tuition is provided by several schools. The value of this tuition assistance is reflected as contributions in the financial statements based on an estimated value, provided by the schools, of approximately \$102,009 and \$77,118 for the years ended June 30, 2013 and 2012, respectively.

A substantial number of volunteers have donated significant amounts of their time to the Organization's program services and its fund-raising campaigns. No amounts have been reflected in the statements for donated services since there is no objective basis to measure the value of such services.

The Organization leases donated land for the residential boys' home for as long as the home continues to operate. The Organization is solely responsible for all expenses associated with the residence including related improvements.

BOYS HOPE GIRLS HOPE OF GREATER NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

4. Special Events

The Organization held several fundraising events during the years ended June 30, 2013 and 2012. The revenues and direct costs associated with these events are as follows for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Revenues:		
Golf	\$ 73,104	\$ 66,295
Run for Hope	23,115	19,112
Tennis	23,026	26,381
Dinner Fl Gala	154,790	115,206
Reveillion	24,100	25,835
Junior Board	7,720	4,864
Christmas Appeal	27,038	15,348
Total revenue	<u>\$ 332,893</u>	<u>\$ 273,041</u>
Direct costs:		
Golf	17,431	15,475
Run for Hope	4,910	5,824
Tennis	1,864	2,674
Dinner Fl Gala	17,846	23,378
Reveillion	3,942	5,364
Junior Board	855	645
Christmas Appeal	2,825	2,544
Total direct costs	<u>49,673</u>	<u>55,904</u>
Special Event Revenue		
Net of Expenses	<u>\$ 283,220</u>	<u>\$ 217,137</u>

BOYS HOPE GIRLS HOPE OF GREATER NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

5. Restricted Assets

Temporarily restricted net assets

The Organization has the following temporarily restricted net assets as of June 30:

	<u>2013</u>	<u>2012</u>
Salary for one girls' counselor	\$ 14,200	\$ -
Academic coordinator	10,875	-
Accumulated earnings on endowment funds	<u>163,336</u>	<u>120,978</u>
Total	<u>\$ 188,411</u>	<u>\$ 120,978</u>

Permanently restricted net assets

Permanently restricted net assets at June 30, 2013 and 2012 consisted of \$450,000 and \$450,000 relating to an endowment.

6. Related Party Transactions

During each of the years ended June 30, 2013 and 2012, the Organization incurred administrative expenses of \$10,000 paid to the Boys Hope Girls Hope National office. At June 30, 2013 and 2012, included in accounts payable is \$-0- due to the Boys Hope Girls Hope National office.

7. Investment in Unit Trust

Investments of the various agencies of the Archdiocese have been pooled to maximize the return on the investments. Investments in the common investment pool consist primarily of debt and equity securities and mutual fund investments. The amounts recorded in the consolidated statement of financial position represent the Agency and Subsidiaries' share of the pool. The following summarizes the market value and the investment return for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Investment cost	\$ 543,024	513,142
Investment fair value	<u>613,336</u>	<u>570,978</u>
Unrealized appreciation (depreciation)	<u>\$ 70,312</u>	<u>\$ 57,836</u>

BOYS HOPE GIRLS HOPE OF GREATER NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

7. Investment in Unit Trust (continued)

Investment return (including income from other unrestricted investments) is summarized for the year ended June 30:

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 18,275	\$ 17,379
Unrealized gain (loss)	57,268	(11,366)
Total investment return	<u>\$ 75,543</u>	<u>\$ 6,013</u>

8. Fair Value of Financial Instruments

FASB ASC 820, Fair Value Measurements and Disclosures, defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value. Fair value concepts are applied in recording investments.

FASB ASC 820 establishes a fair value hierarchy which prioritizes inputs to valuation techniques used to measure fair value. The term "inputs" refers broadly to the assumptions that market participants would use in pricing an asset or liability. Inputs may be based on independent market data ("observable inputs") or they may be internally developed ("unobservable inputs"). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad categories. These levels include Level 1, unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, directly or indirectly observable inputs other than quoted prices for the asset or liability, such as the quoted market prices for similar assets or liabilities; and Level 3, unobservable inputs for use when little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of the unobservable inputs.

Investments of the Organization are held in pooled assets managed by the Archdiocese. The values of the Organization's investments in this pool are based on information provided by the Archdiocese. These investments are classified within Level 2 of the fair value hierarchy. There have been no changes in the methodology used as of June 30, 2013 and 2012.

The method described above may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

BOYS HOPE GIRLS HOPE OF GREATER NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

9. Endowment

The Board of the Organization is of the belief they have a strong fiduciary duty to manage the assets of the Organization's endowment in the most prudent manner possible. The Board recognizes that the intent of the UPMIFA is to protect donor intent with respect to expenditures from endowments. If this intent is clearly expressed by the donor, whether the intent is in a written gift instrument or not, the intent of the donor is followed. If not expressed the Board ensures the assets of the endowment are spent in a prudent manner which considers the purpose of the fund, current economic conditions and preservation of the fund. In September 2010, the Board adopted a policy to approve distributions from the endowment not to exceed 5% of the balance for any given calendar year. During the year ended June 30, 2013, endowment distributions of \$31,897 were used for operating expenses. To follow these principals the historic value of the fund is always maintained in permanently restricted net assets.

The Organization's investment in unit trust consists of an interest in a pooled investment trust maintained by the Roman Catholic Church of the Archdiocese of New Orleans. The investment portfolio consists primarily of marketable equity securities which are reported at fair market value. Endowment net asset composition by type of fund is as follows:

At June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment fund	\$ -	\$ 163,336	\$ 450,000	\$ 613,336
Total funds	<u>\$ -</u>	<u>\$ 163,336</u>	<u>\$ 450,000</u>	<u>\$ 613,336</u>

At June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment fund	\$ -	\$ 120,978	\$ 450,000	\$ 570,978
Total funds	<u>\$ -</u>	<u>\$ 120,978</u>	<u>\$ 450,000</u>	<u>\$ 570,978</u>

BOYS HOPE GIRLS HOPE OF GREATER NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

9. Endowment (continued)

The table below represents the endowment related activity for the years ended June 30, 2013 and 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, July 1, 2011	\$ -	\$ 140,324	\$ 450,000	\$ 590,324
Investment return:				
Investment income	-	17,379	-	17,379
Net appreciation (depreciation)	-	(11,366)	-	(11,366)
Total investment return	-	6,013	-	6,013
Amounts appropriated for expenditures	-	(25,359)	-	(25,359)
Endowment assets, June 30, 2012	-	120,978	450,000	570,978
Investment return:				
Investment income	-	18,275	-	18,275
Net appreciation (depreciation)	-	57,268	-	57,268
Total investment return	-	75,543	-	75,543
Amounts appropriated for expenditures	-	(33,185)	-	(33,185)
Endowment assets, June 30, 2013	\$ -	\$ 163,336	\$ 450,000	\$ 613,336

10. Line of Credit

On April 19, 2010, the Organization entered into a line of credit agreement of \$400,000 at 7.00% interest from a lender to finance construction to the Girl's home. Interest only payments are due monthly to the lender. The line of credit is secured by the Girl's home. On April 11, 2011, the line of credit balance of \$250,000 was refinanced to a mortgage note payable as described in Note 11. In April 2011, the available line of credit was reduced from \$400,000 to \$150,000. At June 30, 2013, the available balance on the line of credit is \$150,000 and the outstanding balance is zero.

11. Note Payable

On April 11, 2011, the Organization entered into a mortgage loan with a financial institution at a fixed interest rate of 6.25% requiring monthly principal and interest payments through March 2026, and a balloon payment of \$95,275 in April 2026. The mortgage note is collateralized by the girls' home.

BOYS HOPE GIRLS HOPE OF GREATER NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

11. Note Payable (continued)

Annual principal payments on loans payable for each of the next five years and in total thereafter at June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	7,425
2015	7,902
2016	8,391
2017	8,972
2018	9,527
2019-2026	83,783

The note payable was paid in full after year end as described in Note 13.

12. State Grant

During the year ended June 30, 2013, the Organization received FEMA grant money passed through the State of Louisiana for reimbursements for expenses recorded in prior years. This money was requested for amounts related to Hurricane Katrina. The reimbursements consist of rental expenses for the temporary housing for the boys and girls, the renovations of the two homes and its contents, and the lost vehicles.

13. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 20, 2013 and determined that the following items require disclosure.

On July 17, 2013, Baptist Community Ministries awarded BHGH with a grant for the On Course for College Program. This is a three year grant in the amount of \$240,000. The grant term is August 1, 2013 to July 31, 2016.

On July 26, 2013, the Organization received a contribution of \$125,695. The contribution was restricted to reduce the outstanding note payable balance. In July 2013, the mortgage note payable, as described in Note 11, was paid in full.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors for
Boys Hope Girls Hope of Greater New Orleans
New Orleans, Louisiana:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Boys Hope Girls Hope of Greater New Orleans ("the Organization") which comprise the statement of financial position as of June 30, 2013, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Poethelthwaite + Netterville

New Orleans, Louisiana
December 20, 2013