

**BOYS TOWN JERUSALEM
FOUNDATION OF AMERICA, INC.**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

DECEMBER 31, 2016

**BOYS TOWN JERUSALEM
FOUNDATION OF AMERICA, INC.**

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Independent Auditor's Report

**Board of Directors
Boys Town Jerusalem Foundation of America, Inc.**

Report on the Financial Statements

We have audited the accompanying financial statements of Boys Town Jerusalem Foundation of America, Inc., which comprise the balance sheet as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 Town Jerusalem Foundation of America, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the opening balance net assets have been restated in accordance with a donor agreement. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Boys Town Jerusalem Foundation of America, Inc.'s December 31, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 31, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Loeb & Troper LLP

May 26, 2017

**BOYS TOWN JERUSALEM
FOUNDATION OF AMERICA, INC.**

BALANCE SHEET

**DECEMBER 31, 2016
(With Summarized Financial Information
for December 31, 2015)**

	2016	2015
		(Restated)
		(Note 11)
ASSETS		
Cash and cash equivalents	\$ 6,846,073	\$ 6,746,147
Investments (Notes 2 and 4)	21,589,457	20,223,051
Contributions receivable - net (Note 3)	99,223	32,411
Prepaid expenses and other assets	172,517	312,178
Beneficial interests in a perpetual trust (Note 5)	300,824	302,118
Fixed assets - equipment (net of accumulated depreciation of \$23,714 in 2016 and \$21,759 in 2015)	3,866	5,821
Total assets	\$ 29,011,960	\$ 27,621,726
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 233,095	\$ 300,703
Annuity obligations (Note 4)	199,933	322,794
Total liabilities	433,028	623,497
Net assets (Exhibit B)		
Unrestricted	24,060,165	23,901,090
Temporarily restricted (Note 9)	2,754,964	2,062,042
Permanently restricted (Notes 8 and 9)	1,763,803	1,035,097
Total net assets	28,578,932	26,998,229
Total liabilities and net assets	\$ 29,011,960	\$ 27,621,726

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**BOYS TOWN JERUSALEM
FOUNDATION OF AMERICA, INC.**

EXHIBIT B

STATEMENT OF ACTIVITIES

**YEAR ENDED DECEMBER 31, 2016
(With Summarized Financial Information
for the Year Ended December 31, 2015)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2016</u>	<u>2015</u>
Revenues, gains (losses) and other support					
Contributions	\$ 2,339,111	\$ 1,177,500	\$ 730,000	\$ 4,246,611	\$ 2,232,545
Legacies and bequests	1,268,140			1,268,140	495,268
Special events	155,870			155,870	173,445
Less direct cost of special events	(49,984)			(49,984)	(47,848)
Interest and dividends	614,411			614,411	484,275
Change in value of split-interest agreements		73,620		73,620	(106,086)
Change in value of beneficial interests in trust			(1,294)	(1,294)	1,782
Realized gain on investments	2,067,914			2,067,914	2,629,276
Unrealized gain (loss) on investments	(979,053)			(979,053)	(4,309,381)
Net assets released from restrictions (Note 9)	558,198	(558,198)			
	<u>5,974,607</u>	<u>692,922</u>	<u>728,706</u>	<u>7,396,235</u>	<u>1,553,276</u>
Total revenues, gains (losses) and other support					

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**BOYS TOWN JERUSALEM
FOUNDATION OF AMERICA, INC.**

EXHIBIT B

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STATEMENT OF ACTIVITIES

**YEAR ENDED DECEMBER 31, 2016
(With Summarized Financial Information
for the Year Ended December 31, 2015)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2016</u>	<u>2015</u>
Expenses (Exhibit C)					
Program services					
Boys Town Jerusalem support and special projects	\$ <u>4,391,371</u>			\$ <u>4,391,371</u>	\$ <u>4,383,684</u>
Supporting services					
Management and general	577,829			577,829	482,715
Fund raising	<u>846,332</u>			<u>846,332</u>	<u>854,390</u>
Total supporting services	<u>1,424,161</u>			<u>1,424,161</u>	<u>1,337,105</u>
Total expenses	<u>5,815,532</u>			<u>5,815,532</u>	<u>5,720,789</u>
Change in net assets (Exhibit D)	159,075	\$ 692,922	\$ 728,706	1,580,703	(4,167,513)
Net assets - beginning of year - restated (Note 11)	<u>23,901,090</u>	<u>2,062,042</u>	<u>1,035,097</u>	<u>26,998,229</u>	<u>31,165,742</u>
Net assets - end of year (Exhibit A)	<u>\$ 24,060,165</u>	<u>\$ 2,754,964</u>	<u>\$ 1,763,803</u>	<u>\$ 28,578,932</u>	<u>\$ 26,998,229</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016
(With Summarized Financial Information
for the Year Ended December 31, 2015)

	Program Services	Supporting Services			Total		
	Boys Town Jerusalem Support and Special Projects	Management and General	Fund Raising	Direct Cost of Special Events	Total	2016	2015
Salaries		\$ 266,594	\$ 579,875		\$ 846,469	\$ 846,469	\$ 832,774
Payroll taxes and employee benefits		48,357	105,183		153,540	153,540	152,621
Total salaries and related expenses		314,951	685,058		1,000,009	1,000,009	985,395
Transmissions to Boys Town Jerusalem	\$ 4,391,371					4,391,371	4,383,684
Printing and postage		38,003	76,005		114,008	114,008	115,303
Publicity		8,516	17,032		25,548	25,548	17,087
Office supplies and expenses		1,869	3,737		5,606	5,606	5,443
Occupancy		11,765	23,529		35,294	35,294	37,778
Insurance		1,043	2,086		3,129	3,129	3,067
Travel		2,791	5,581		8,372	8,372	17,259
Professional fees		177,023			177,023	177,023	107,610
Telephone		2,759	5,519		8,278	8,278	8,041
Hall, catering and entertainment				\$ 49,984	49,984	49,984	47,848
Other event costs			24,273		24,273	24,273	19,724
Equipment rental and repairs		1,104	2,209		3,313	3,313	3,909
Bank charges and fees		17,353			17,353	17,353	15,112
Depreciation		652	1,303		1,955	1,955	1,377
Total expenses	4,391,371	577,829	846,332	49,984	1,474,145	5,865,516	5,768,637
Less direct costs of special events				(49,984)	(49,984)	(49,984)	(47,848)
Total expenses reported by function on the statement of activities (Exhibit B)	\$ 4,391,371	\$ 577,829	\$ 846,332	\$ -	\$ 1,424,161	\$ 5,815,532	\$ 5,720,789

See independent auditor's report.

The accompanying notes are an integral part of these statements.

EXHIBIT D**BOYS TOWN JERUSALEM
FOUNDATION OF AMERICA, INC.****STATEMENT OF CASH FLOWS****YEAR ENDED DECEMBER 31, 2016**

Cash flows from operating activities	
Change in net assets (Exhibit B)	\$ 1,580,703
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation	1,955
Net realized and unrealized gain on investments	(1,088,861)
Change in value of split-interest agreements	(73,620)
Change in value of beneficial interests in trust	1,294
Contributions restricted for long-term investment	(730,000)
Decrease (increase) in assets	
Contributions receivable	(66,812)
Prepaid expenses and other assets	139,661
Decrease in liabilities	
Accounts payable and accrued expenses	<u>(67,608)</u>
Net cash provided (used) by operating activities	<u>(303,288)</u>
Cash flows from investing activities	
Purchase of investments	(15,856,156)
Proceeds from sale of investments	<u>15,578,611</u>
Net cash provided (used) by investing activities	<u>(277,545)</u>
Cash flows from financing activities	
Proceeds from contributions restricted for investment in endowment	730,000
Income on annuity obligations restricted for reinvestment	19,931
Payment of annuity obligations	<u>(69,172)</u>
Net cash provided by financing activities	<u>680,759</u>
Net change in cash and cash equivalents	99,926
Cash and cash equivalents - beginning of year	<u>6,746,147</u>
Cash and cash equivalents - end of year	<u>\$ 6,846,073</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**BOYS TOWN JERUSALEM
FOUNDATION OF AMERICA, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 1 - NATURE OF ORGANIZATION

Boys Town Jerusalem Foundation of America, Inc. (Boys Town) is a not-for-profit voluntary organization whose primary purpose is to raise funds for the development of a comprehensive academic, religious, and technological education program provided to disadvantaged Israeli and immigrant boys, mainly at Boys Town Jerusalem (Kiryat Noar). Boys Town's primary sources of funding are contributions, legacies and bequests and investment income.

Boys Town is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis of accounting.

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.

Investments - Investments are recorded at fair value. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in Boys Town's financial statements.

Beneficial interest in a perpetual trust - Beneficial interest in a perpetual trust is recorded at fair value.

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**BOYS TOWN JERUSALEM
FOUNDATION OF AMERICA, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

Fair Value Measurements establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Boys Town has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset 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 unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016 as compared to December 31, 2015.

Equities - Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds - Valued at the net asset value (NAV) of shares held by Boys Town at year end.

State of Israel bonds - Valued based on quoted prices for identical or similar assets in inactive markets.

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**BOYS TOWN JERUSALEM
FOUNDATION OF AMERICA, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

JCF (Jewish Community Foundation of Metrowest NJ) pooled investment account - Valued at fair value based on the underlying asset value at year end.

Limited partnership - Valued at the net asset value (NAV) of the investment, as a practical expedient.

Beneficial interest in a perpetual trust - The beneficial interest in a perpetual trust is valued at Boys Town's beneficial interest in the fair value of the underlying assets.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Boys Town believes its valuation methods are appropriate and consistent with 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.

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**BOYS TOWN JERUSALEM
FOUNDATION OF AMERICA, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Bond Funds	\$ 9,903,398			\$ 9,903,398
Preferred Stock	594,022			594,022
Global real estate	418,379			418,379
Equities - domestic	8,296,106			8,296,106
Equities - international	662,313			662,313
State of Israel bonds		\$ 36,475		36,475
JCF - pooled investment			\$ 15,943	15,943
Total asset in the fair value hierarchy	<u>\$19,874,218</u>	<u>\$ 36,475</u>	<u>\$ 15,943</u>	19,926,636
Investments measured at net asset value				<u>88,824</u>
Total investments at fair value *				20,015,460
Cash				<u>1,573,997</u>
Total investments				<u>\$21,589,457</u>
Beneficial interest in a perpetual trust	\$ -	\$ -	\$ 300,824	\$ 300,824

* In accordance with ASU 2015-07, certain investments that were measured using the practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line item presented in the balance sheet.

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**BOYS TOWN JERUSALEM
FOUNDATION OF AMERICA, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

The following table sets forth the changes in Level 3 investments:

	<u>JCF - Pooled Investment</u>	<u>Beneficial Interest in a Perpetual Trust</u>
Beginning balance	\$ 27,427	\$ 302,118
Total gains (losses) (realized/unrealized) included in changes in net assets for the year ended December 31, 2016*	783	(1,294)
Sales	(12,619)	
Purchases	<u>352</u>	
Ending balance	<u>\$ 15,943</u>	<u>\$ 300,824</u>

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Limited partnership (a)	<u>\$ 88,824</u>	<u>\$ -</u>	N/A	30 days

- a. **Limited partnership** - A share in Omega Overseas Partners (OOP) to benefit from the various diversified strategies that OOP invests in, including equities, equity-related securities, bonds and other fixed income securities. The purpose is to achieve above-average capital growth while managing risk through diversification.

Contributions receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value (net of allowance for uncollectible pledges). Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

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**BOYS TOWN JERUSALEM
FOUNDATION OF AMERICA, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for doubtful accounts - Boys Town determines whether an allowance for uncollectible accounts should be provided for contributions receivable. Such estimates are based on management's assessment of the aged basis of its receivables, subsequent receipts, current economic conditions and historical information. Bad debt is charged if the receivables are determined to be uncollectible.

Fixed assets - Equipment acquisitions are recorded at cost. Items in excess of \$500 with an estimated useful life greater than one year are capitalized. Depreciation is recorded on the straight-line method over an estimated useful life of five years.

Unrestricted, temporarily restricted and permanently restricted net assets - Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors. Temporarily restricted net assets are those funds restricted by donors to be used for a specific time or specified purposes. Permanently restricted net assets have been restricted by donors to be maintained by Boys Town in perpetuity.

Contributions - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional allocation of expenses - The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated among program and supporting services benefited.

Transmissions - All transmissions to Boys Town Jerusalem or when applicable other educational and charitable institutions in Israel and the United States are recorded when authorized by the Board of Directors of Boys Town.

Summarized financial information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Boys Town's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

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**BOYS TOWN JERUSALEM
FOUNDATION OF AMERICA, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Uncertainty in income taxes - Boys Town has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2013 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through May 26, 2017, which is the date the financial statements were available to be issued.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Receivables that are due in more than one year have been discounted to their present value using discount rates ranging between 3% and 6%. The receivables are due as follows:

2017	\$ 217,200
2018	166,708
2019	155,150
2020	154,000
2021	154,000
Thereafter	<u>1,034,000</u>
	1,881,058
Less allowance for doubtful accounts	<u>(1,775,500)</u>
Subtotal	105,558
Less discount to present value	<u>(6,335)</u>
Contributions receivable	<u>\$ 99,223</u>

NOTE 4 - CHARITABLE REMAINDER TRUSTS

Investments include \$482,459 held for charitable remainder trust agreements. Contribution revenues for charitable remainder trusts are recognized at the date the agreement is established, net of the liability recorded for the present value of the future payments to be made to the respective donors and/or other beneficiaries. The present value of obligations to beneficiaries of charitable remainder trusts is calculated using a risk-adjusted discount rate of 3%. Gains or losses resulting from changes in actuarial assumptions and accretions due to the discount are reflected in temporarily restricted funds in accordance with donor trust agreements, as are the respective net assets.

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**BOYS TOWN JERUSALEM
FOUNDATION OF AMERICA, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 5 - BENEFICIAL INTEREST IN A TRUST

At December 31, 2016, Boys Town has a beneficial interest in a perpetual trust. Boys Town's interest in this trust was reported as a contribution in the year received at the fair value. Changes in the fair value of the underlying assets are recorded as revenue adjusting permanently restricted net assets. As of December 31, 2016, the balance was \$300,824. Boys Town received distributions of \$4,312 and \$7,678 in 2016 and 2015, respectively, which is included in unrestricted interest and dividends.

NOTE 6 - LEASE COMMITMENTS

Boys Town has a lease agreement for rental of office equipment expiring through June 30, 2021. Equipment rental expense in 2016 was \$3,061. Boys Town rents office space on a month-to-month basis. Rent expense for the year ended December 31, 2016 was \$31,506.

The following are the minimum annual lease payments to be made:

2017	\$	2,696
2018		2,696
2019		2,696
2020		2,696
2021		<u>1,348</u>
Total	\$	<u>12,132</u>

NOTE 7 - PENSION PLANS

Boys Town has a defined contribution pension plan covering certain employees. Under the plan, Boys Town contributes 3.25% of the employee's basic monthly salary to the plan. During the year ended December 31, 2016, contributions to the plan totaled \$19,962. In addition, Boys Town contributed \$11,438 towards a 457(f) deferred compensation plan for one employee.

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**BOYS TOWN JERUSALEM
FOUNDATION OF AMERICA, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 8 - ENDOWMENT FUNDS

General

Boys Town's endowment consists of one donor-restricted endowment fund established to support scholarship programs. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of Boys Town has adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA permits charities to apply a spending policy to endowments based on certain specified standards of prudence. Boys Town is governed by the NYPMIFA spending policy, which establishes a standard maximum prudent spending limit of 7%. As a result of this interpretation, Boys Town classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standards of prudence prescribed by NYPMIFA.

Return Objectives, Strategies Employed and Spending Policy

The objective of Boys Town is to maintain the principal of endowment funds at the original amount designated by the donor while generating investment income to be used for the support of scholarships. The investment policy to achieve this objective is to invest in income-generating investments. Interest earned in relation to the endowment funds is recorded as temporarily restricted income and released from restriction upon expenditure for the program for which the endowment fund was established.

Funds with Deficiencies

Boys Town does not have any funds with deficiencies.

Net Asset Composition by Type of Fund

The net asset composition of the endowment consists of \$1,462,979 of permanently donor-restricted funds.

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**BOYS TOWN JERUSALEM
FOUNDATION OF AMERICA, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 8 - ENDOWMENT FUNDS (continued)

Changes in Net Assets for the Year Ended December 31, 2016

	<u>Unrestricted Net Assets</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year - restated (Note 11)	\$ -	\$ 732,979	\$ 732,979
Contributions		730,000	730,000
Net realized/unrealized gain on investments	54,426		54,426
Interest and dividends	30,711		30,711
Appropriation of endowment assets for expenditure	<u>(85,137)</u>		<u>(85,137)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,462,979</u>	<u>\$ 1,462,979</u>

During 2015, certain net assets were reclassified from permanently restricted to temporarily restricted net assets in accordance with the satisfaction of the terms based on the donor's agreements.

NOTE 9 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

School renovations and equipment	\$ 1,937,647
Student needs	25,997
Equipment	250,907
Scholarships (time)	258,371
Trusts (time)	<u>282,042</u>
Total	<u>\$ 2,754,964</u>

Temporarily restricted net assets of \$558,198 were released from donor restrictions by incurring expenses of \$350,000 for school renovation, \$8,000 for student needs, and \$200,198 for scholarships.

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**BOYS TOWN JERUSALEM
FOUNDATION OF AMERICA, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 9 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS
(continued)

Permanently restricted net assets are available for investment in perpetuity, the income and appreciation from which are expendable to support scholarships.

Permanently restricted net assets consist of the following:

Endowments	\$ 1,462,979
Beneficial interest in a perpetual trust	<u>300,824</u>
	<u>\$ 1,763,803</u>

NOTE 10 - CONCENTRATIONS

Financial instruments which potentially subject Boys Town to a concentration of credit risk are cash and investment accounts with major financial institutions in excess of FDIC insurance limits.

Boys Town has contributions receivable of \$1,775,500 from one private foundation.

NOTE 11 - RESTATEMENT

Net assets at January 1, 2015 have been restated to reclass certain donor-restricted funds from permanently restricted net assets to temporarily restricted net assets as per an updated donor agreement as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Net assets at January 1, 2015	\$ 2,037,450	\$ 1,239,384
Restatement	<u>306,069</u>	<u>(306,069)</u>
Net assets at December 31, 2015 - restated	2,343,519	933,315
Change in net assets for the year ended December 31, 2015	<u>(281,477)</u>	<u>101,782</u>
Net assets at December 31, 2015 - restated (Exhibit B)	<u>\$ 2,062,042</u>	<u>\$ 1,035,097</u>