



BOYS TOWN

Consolidated Financial Statements and Single Audit Report

December 31, 2021

(With Independent Auditors' Report Thereon)

BOYS TOWN

Table of Contents

	Page(s)
Independent Auditors' Report	1–2
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Cash Flows	5
Consolidated Statement of Functional Expenses	6
Notes to Consolidated Financial Statements	7–33
Consolidating Schedules of Financial Position	34
Consolidating Schedules of Activities	35
Single Audit Information	
Schedule of Expenditures of Federal Awards and State Financial Assistance	36–38
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	39
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40–41
Independent Auditors' Report on Compliance for Each Major Federal Program and Major State Project; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and State of Florida Chapter 10.650, <i>Rules of Auditor General Florida Single Audit Act</i>	42–44
Schedule of Findings and Questioned Costs	45–46



KPMG LLP
Suite 300
1212 N. 96th Street
Omaha, NE 68114-2274

Suite 1120
1248 O Street
Lincoln, NE 68508-1493

Independent Auditors' Report

The Board of Trustees
Father Flanagan's Boys' Home:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Father Flanagan's Boys' Home d/b/a Boys Town (the Organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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



In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information presented in the Boys Town and program-related affiliates and Father Flanagan's Fund for Needy Children columns on pages 3 and 4 and the supplementary consolidating schedules of financial position and activities on pages 34 and 35 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2022 on our consideration of 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 solely 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 the effectiveness of the Organization's 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 Organization's internal control over financial reporting and compliance.

KPMG LLP

Omaha, Nebraska
June 6, 2022

BOYS TOWN

Consolidated Statement of Financial Position

December 31, 2021

(Dollar amounts in thousands)

Assets	Boys Town and program-related affiliates	Father Flanagan's Fund for Needy Children	Eliminations	Boys Town consolidated total
Cash and cash equivalents	\$ 19,956	—	—	19,956
Accounts receivable, net	40,943	155	(155)	40,943
Prepaid and other	21,375	108	—	21,483
Investments	435,320	1,113,624	—	1,548,944
Beneficial interest in trust assets	94,832	—	—	94,832
Interest in Father Flanagan's Fund for Needy Children	1,113,245	—	(1,113,245)	—
Land, buildings, and equipment, net	208,427	—	—	208,427
Total assets	<u>\$ 1,934,098</u>	<u>1,113,887</u>	<u>(1,113,400)</u>	<u>1,934,585</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable	\$ 23,685	—	(155)	23,530
Accrued liabilities	47,814	642	—	48,456
Long-term debt	89,482	—	—	89,482
Pension and postretirement benefits liability	4,072	—	—	4,072
Total liabilities	<u>165,053</u>	<u>642</u>	<u>(155)</u>	<u>165,540</u>
Net assets:				
Without donor restrictions:				
Designated by the board	1,207,658	1,113,245	(1,113,245)	1,207,658
Undesignated	388,559	—	—	388,559
Total without donor restrictions	<u>1,596,217</u>	<u>1,113,245</u>	<u>(1,113,245)</u>	<u>1,596,217</u>
With donor restrictions:				
Restricted by purpose and time	68,227	—	—	68,227
Perpetual in nature	104,601	—	—	104,601
Total with donor restrictions	<u>172,828</u>	<u>—</u>	<u>—</u>	<u>172,828</u>
Total net assets	<u>1,769,045</u>	<u>1,113,245</u>	<u>(1,113,245)</u>	<u>1,769,045</u>
Total liabilities and net assets	<u>\$ 1,934,098</u>	<u>1,113,887</u>	<u>(1,113,400)</u>	<u>1,934,585</u>

See accompanying notes to consolidated financial statements.

BOYS TOWN

Consolidated Statement of Activities

Year ended December 31, 2021

(Dollar amounts in thousands)

	Boys Town and program-related affiliates			Father Flanagan's Fund for Needy Children –	Eliminations	Boys Town consolidated total
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions		
Revenue, gains, and other support:						
Contributions	\$ 136,894	10,204	147,098	—	—	147,098
In-kind donations	50,373	—	50,373	—	—	50,373
Legacies and bequests	12,805	—	12,805	—	—	12,805
Program service revenue	215,068	—	215,068	—	—	215,068
Other revenue	3,841	—	3,841	—	—	3,841
Investment return, net	48,143	10,377	58,520	181,410	—	239,930
Change in value of beneficial interest in trust assets	—	9,074	9,074	—	—	9,074
Net assets released from restrictions	5,038	(5,038)	—	—	—	—
Total revenue, gains, and other support	<u>472,162</u>	<u>24,617</u>	<u>496,779</u>	<u>181,410</u>	<u>—</u>	<u>678,189</u>
Expenses:						
Program services	386,649	—	386,649	—	—	386,649
Supporting services	77,717	—	77,717	735	—	78,452
Total expenses	<u>464,366</u>	<u>—</u>	<u>464,366</u>	<u>735</u>	<u>—</u>	<u>465,101</u>
Revenue, gains, and other support over expenses	7,796	24,617	32,413	180,675	—	213,088
Change in net assets of Father Flanagan's Fund for Needy Children	134,401	—	134,401	—	(134,401)	—
Support from Father Flanagan's Fund for Needy Children	46,274	—	46,274	(46,274)	—	—
Actuarial loss on annuity trust obligations	111	—	111	—	—	111
Pension-related changes other than service cost	8,278	—	8,278	—	—	8,278
Increase (decrease) in net assets	<u>196,860</u>	<u>24,617</u>	<u>221,477</u>	<u>134,401</u>	<u>(134,401)</u>	<u>221,477</u>
Net assets, beginning of year	<u>1,399,357</u>	<u>148,211</u>	<u>1,547,568</u>	<u>978,844</u>	<u>(978,844)</u>	<u>1,547,568</u>
Net assets, end of year	<u>\$ 1,596,217</u>	<u>172,828</u>	<u>1,769,045</u>	<u>1,113,245</u>	<u>(1,113,245)</u>	<u>1,769,045</u>

See accompanying notes to consolidated financial statements.

BOYS TOWN

Consolidated Statement of Cash Flows

Year ended December 31, 2021

(Dollar amounts in thousands)

Cash flows from operating activities:	
Increase in net assets	\$ 221,477
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Pension-related charges other than net periodic pension cost	(7,782)
Actuarial loss on annuity trust obligations	(111)
Net periodic pension cost	7
Realized and unrealized gain on investments, net	(244,584)
Change in value of beneficial interest in trust assets	(9,074)
Loss on sale and conversion of building and equipment	133
Depreciation	14,198
Contributions restricted for long-term investments	(1,634)
Other	560
Net changes in assets and liabilities:	
Increase in accounts receivable	(4,462)
Increase in prepaid expenses and other	(419)
Decrease in beneficial interest in trust assets	2,114
Decrease in accounts payable	(1,532)
Increase in accrued liabilities	1,331
Decrease in pension and postretirement benefit obligation	(2,115)
Net cash used in operating activities	<u>(31,893)</u>
Cash flows from investing activities:	
Purchases of buildings and equipment	(31,919)
Purchase of assets restricted for investment in property and equipment	(159)
Proceeds from sale and conversion of building and equipment	(22)
Proceeds from sale of investments	1,264,443
Purchases of investments	<u>(1,180,499)</u>
Net cash provided by investing activities	<u>51,844</u>
Cash flows from financing activities:	
Proceeds from gift annuities issued	605
Contributions restricted for long-term investment	1,634
Payments on long-term obligations	<u>(13,092)</u>
Net cash used in financing activities	<u>(10,853)</u>
Net increase in cash and cash equivalents	9,098
Cash and cash equivalents, beginning of year	<u>10,858</u>
Cash and cash equivalents, end of year	<u>\$ 19,956</u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for interest	\$ 2,297
Lease liabilities arising from obtaining operating right-of-use assets	343

See accompanying notes to consolidated financial statements.

BOYS TOWN

Consolidated Statement of Functional Expenses

Year ended December 31, 2021

(Dollar amounts in thousands)

	Program services					Supporting services				Total expenses
	Nebraska/ Iowa Services	Home Campus Educational Program	Programs across America	Boys Town National Research Hospital	Boys Town National Hotline and Public Services	Total	Management and general	Fundraising	Total	
Salaries	\$ 31,694	9,811	29,962	111,071	4,337	186,875	9,922	4,745	14,667	201,542
Employee benefits	8,814	2,613	7,839	20,937	1,153	41,356	2,080	1,066	3,146	44,502
Payroll taxes	2,656	782	2,207	7,312	314	13,271	680	350	1,030	14,301
Total salaries and related expenses	43,164	13,206	40,008	139,320	5,804	241,502	12,682	6,161	18,843	260,345
Specific assistance to youth	2,084	150	919	177	2	3,332	—	—	—	3,332
Occupancy	2,887	1,286	3,087	4,278	134	11,672	310	101	411	12,083
Contract services	2,879	1,460	3,450	8,560	171	16,520	482	1,537	2,019	18,539
Supplies	1,212	572	552	16,237	157	18,730	84	140	224	18,954
Printing and publications	239	11	268	467	1,028	2,013	707	30,818	31,525	33,538
Postage	174	3	149	89	505	920	756	15,753	16,509	17,429
Equipment – rental and maintenance	241	117	151	1,338	14	1,861	55	50	105	1,966
Professional fees	609	69	886	6,810	49,504	57,878	2,684	2,596	5,280	63,158
Travel	519	40	737	836	22	2,154	64	75	139	2,293
Information technology	1,410	467	1,686	8,565	245	12,373	1,076	324	1,400	13,773
Communications	306	46	500	581	41	1,474	79	38	117	1,591
Interest	404	136	102	315	11	968	14	503	517	1,485
Other	238	80	788	547	21	1,674	351	392	743	2,417
Total expenses before depreciation	56,366	17,643	53,283	188,120	57,659	373,071	19,344	58,488	77,832	450,903
Depreciation of buildings and equipment	2,831	901	1,529	8,176	141	13,578	534	86	620	14,198
Total expenses	\$ 59,197	18,544	54,812	196,296	57,800	386,649	19,878	58,574	78,452	465,101

See accompanying notes to consolidated financial statements.

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

(1) Nature of Operations

Father Flanagan's Boys' Home, a nonsectarian, not-for-profit organization governed by a volunteer board, and its affiliates, operate as Boys Town. Boys Town's mission is to change the way America cares for children and families. Boys Town accomplishes this by providing housing, care, treatment, support, and/or educational services for individual at-risk youth in its residential programs as well as working directly with at-risk families to provide them with the skills, resources, and supports necessary to help keep their family together.

A description of the major program services is as follows:

- **Nebraska and Iowa Services** consist of the Family Home Program, Intervention and Assessment Services, In-Home Family Services, Foster Family Services, Community Support Services, including Common Sense Parenting®, the Center for Behavioral Health, Care Coordination, and others.

Boys Town operates approximately 60 family-style Family Homes on the Home Campus, which is in the incorporated Village of Boys Town, Nebraska (the Village). These homes have a total capacity of more than 400 youth. Six to eight troubled boys or girls from throughout the United States of America, with ages generally ranging from 12 to 18, live in a home with a specially trained professional married couple called Family Teachers. The couple provides treatment planning, skill development, spiritual guidance, a family-style environment, and love and care, with the help of an Assistant Family Teacher. Each home is monitored, evaluated, and advised by a Program Director and other support personnel. The Family Homes are not mixed by gender but are mixed by age, ethnic, and religious backgrounds. The program is also served by three Intervention and Assessment Homes located on the Home Campus. The Intervention and Assessment Homes provide short-term services for youth. In addition to its residential program, Boys Town also operates Foster Family Services program, In-Home Family Services, and Community Support Services programs in Nebraska and Iowa.

The Nebraska site operates a Center for Behavioral Health, which served 4,700 youth in 2021 with behavioral problems on an outpatient basis, and is a training center for doctoral-level psychologists.

- **The Home Campus Educational Program** consists of the Boys Town High School and the Wegner Middle School. The Village schools serve residential youth at Boys Town and provide academic and vocational training skills necessary for contemporary society. All Boys Town's schools are fully accredited by the state of Nebraska and the North Central Association. A full range of special education services is provided to all youth who require this type of assistance.

The Boys Town Day School in the Village and the Duncan Day School in Duncan, Nebraska serve youth who cannot receive education services in a public or alternative school setting due to behavioral problems and/or academic deficiencies. These schools meet all requirements of Level III schools under Nebraska Department of Education's Rule 51 and currently educate students from multiple school districts in Nebraska and Iowa. These schools have also served parentally placed private youth and court-placed youth. Boys Town served 193 students in day school services in 2021.

- **Programs across America** directly served over 10,750 youth in Nebraska/Iowa and nearly 10,000 youth at seven active affiliated sites nationwide in 2021. These affiliated sites are Boys Town Central

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

Florida, Inc.; Boys Town Louisiana, Inc.; Boys Town Nevada, Inc.; Boys Town New England, Inc.; Boys Town North Florida, Inc.; Boys Town South Florida, Inc.; and Boys Town Washington, DC Inc.

Programs offered throughout the nation include Intervention and Assessment Services, Family Home Program, Foster Family Services, In-Home Family Services, Community Support Services, including Common Sense Parenting®, Outpatient Behavioral Health Services, Care Coordination, and others. Boys Town Youth Care programs are certified by the Council on Accreditation across all sites.

Boys Town invests and emphasizes quality through staff training, evaluation, and outcomes research by having departments committed to the quality of Boys Town's programs. The Youth Care Training and Evaluation & Certification Departments provide technical training, evaluation, and quality control/quality assurance of Boys Town's nationwide system of services. The Program Quality Department provides program monitoring, consultation, and staff and program development to all Boys Town sites across America.

- **Boys Town National Research Hospital (BTNRH)** provides medical and surgical services at one hospital location and seven outpatient clinics in the Omaha, Nebraska metropolitan area. BTNRH is recognized internationally as a leader in communication disorder research and as a referral center for children with disorders of the ear, hearing and balance, cleft lip and palate, speech, and voice, as well as related disabilities. BTNRH clinical programs served over 44,000 children and adolescents in 2021 through a total of 202,861 patient visits.

Boys Town Pediatrics, BTNRH's group of pediatric physicians, provides primary care and specialty pediatric medical services at six clinic locations in the Omaha area. BTNRH employs or contracts with over 90 physicians in various subspecialties, including Allergy, Audiology, ENT, General Surgery, GI, Internal Medicine, Neurology, Ophthalmology, Outpatient Psychiatry, Physical Therapy, Rheumatology, and Speech Therapy.

BTNRH also provides medically directed behavioral health services. These services include an 80-bed Psychiatric Residential Treatment Facility (PRTF), which is attached to the BTNRH West Hospital. This PRTF is staffed with a multidisciplinary medical and behavioral health staff. BTNRH also has a 16-bed Inpatient Psychiatric Unit (IPU) attached to the BTNRH West Hospital and PRTF Unit. This acute care program treats the highest-risk psychiatric youth patients. The IPU is staffed with physicians, nurses, social workers, a teacher, and psychiatric technicians.

BTNRH supports a world-class research program that comprises 35 independent laboratories that focus broadly on areas of scientific inquiry related to communication and neurobehavioral disorders. The research programs at BTNRH received over \$15 million in external research funding in 2021.

The Lied Learning and Technology Center for Childhood Deafness and Vision Disorders, a separate 501(c)(3) corporation, is a research and treatment facility operated and occupied by BTNRH personnel.

- **Boys Town National Hotline and Public Services** meets the informative and public service needs of youth, parents, teachers, and youth professionals who are involved directly or indirectly with helping youth.

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

The Boys Town National Hotline (the Hotline), at 1-800-448-3000, helps hundreds of thousands of children and families throughout all 50 states each and every year. The Hotline provides toll-free phone, as well as text, email, and chat crisis service for troubled children and families. The Hotline received approximately 124,300 contacts in 2021. The Hotline operates 24 hours a day, 7 days a week, with trained, skilled, professional operators. The Hotline is equipped to handle calls from people who speak a variety of languages.

In an effort to reach the highest number of youth in need of assistance, through a medium more frequently used by youth, the Hotline has a website called *yourlifeyourvoice.org*. In 2021, the website had 660,500 visits.

In addition to operating the Hotline, Boys Town also operates the Nebraska Family Helpline (the Helpline). The Nebraska Family Helpline was conceived when Nebraska lawmakers realized families experiencing crises needed a central, knowledgeable place to go to get help or answers to their behavioral health needs. The Helpline counselors assist families in managing immediate crisis situations, make referrals, help them navigate government systems, and follow up with families to ensure they received the help they needed. The Helpline has been honored in the press and by the legislature for its effective service to Nebraska families. Over 12,008 calls were made to the Helpline in 2021 from families seeking assistance.

(2) Summary of Significant Accounting Policies

The following is a summary of significant accounting policies used in the preparation of the consolidated financial statements:

(a) Basis of Presentation

The accompanying consolidated financial statements include the accounts of Father Flanagan's Boys' Home, its active affiliates (Boys Town Central Florida, Inc.; Boys Town North Florida, Inc.; Boys Town Louisiana, Inc.; Boys Town Nevada, Inc.; Boys Town New England, Inc.; Boys Town South Florida, Inc.; and Boys Town Washington D.C., Inc), Father Flanagan's Fund for Needy Children (FFFNC), and the Lied Learning and Technology Center for Childhood Deafness and Vision Disorders. All intercompany balances and transactions have been eliminated in consolidation.

Boys Town and its consolidated affiliates are collectively referred to as Boys Town within this report.

(b) Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets that have similar characteristics have been combined into similar categories.

- Without donor restrictions, undesignated – Net assets without donor restrictions account for resources over which the governing board has discretionary control to use in carrying on the operations of Boys Town that are not subject to donor-imposed stipulations.

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

- Without donor restrictions, designated by the board – Net assets consist of resources, which the governing board has determined are to be retained for the exclusive purpose of providing financial support to the various Boys Town programs.
- With donor restrictions – Net assets with donor restrictions include (1) resources currently available for use but expendable only for purposes specified by the donor or grantor or which will become available for use at a later time and (2) gifts and bequests accepted with stipulation that the principal be maintained in perpetuity or Boys Town's interest in perpetual trusts held by other trustees but which benefits Boys Town.

(c) Cash and Cash Equivalents

Cash and cash equivalents include investments with an original maturity of three months or less. Boys Town classifies any cash and cash equivalents held by external managers as investments as these funds are not intended for current operations.

(d) Interest in Net Assets of Father Flanagan's Fund for Needy Children

Because of Boys Town's relationship as FFFNC's sole member and the overall financial interrelationship of the organization and FFFNC, Boys Town reports its interest in the net assets of FFFNC in the consolidated statement of financial position, with corresponding changes in those net assets reported in the accompanying consolidated statement of activities. These activities are eliminated in consolidation.

(e) Investments

Investments are reported at fair value. Valuations provided by external investment managers and the custodian bank include observable market quotation prices and observable inputs other than quoted prices, such as matrix pricing or indexes and other methods. Investments in securities traded on a national securities exchange are valued at the latest quoted market prices. For fixed-income securities, if quoted market prices are not available, the fair values are estimated using pricing models, quoted prices of similar securities with similar characteristics, or discounted cash flows. For alternative investments in funds that do not have readily determinable fair values, including private equity funds, hedge funds, real estate, and other funds, Boys Town estimates fair value using net asset value per share or its equivalent as a practical expedient to fair value. Boys Town applies the practical expedient to its investments on an investment-by-investment basis and consistently with Boys Town's entire position in a particular investment unless it is probable that Boys Town will sell a portion of an investment at an amount different from the net asset valuation.

Donated investments are reported at estimated fair value at the date of receipt. Realized gains and losses on sales of investments are recognized in the consolidated statement of activities as specific investments are sold. Interest is recognized as earned. Dividend income is recognized on the ex-dividend date. All realized and unrealized gains and losses and income arising from investments are recognized in the consolidated statement of activities as increases or decreases to net assets without donor restrictions unless their use is restricted by donor stipulation or law.

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

(f) Fair Value Measurements

Boys Town applies the provisions included in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC Topic 820 establishes 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Boys Town has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

(g) Beneficial Interest in Assets Held by Others

Boys Town holds a beneficial interest in assets held in perpetuity and remainder trusts, which are controlled by independent trustees.

(h) Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost. Gifts of land, buildings, equipment, or other assets are recorded at estimated fair value when received. Provisions for depreciation are computed using the straight-line method based on the estimated useful lives of the assets.

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as support without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained; expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service. Contributions restricted to the purchase of property and equipment in which restrictions are met within the same year as received are reported as increases in assets without donor restrictions.

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

(i) Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized to the extent the carrying amount of the asset exceeds its fair value.

(j) Contributions

Contributions, unconditional promises to give (pledges), and donated properties and materials are recorded at their estimated fair value at date of donation. A promise to give is conditional on the basis of whether the agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. A conditional promise to give becomes an unconditional promise to give when the barriers in the agreement are overcome and the promise is then reported at fair value. All contributions are considered to be available for unrestricted use unless specified by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases in assets with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, Boys Town reports the support as without donor restrictions.

Contributions from government grants is recognized as it is earned through expenditure in accordance with the agreements. Since restrictions are fulfilled in the same period in which the revenue is recognized, Boys Town reports revenue from government grants as support without donor restrictions. In 2021, Boys Town reported \$20,149 in government grant revenue within contributions in the statement of activities.

(k) In-Kind Donations

Donated advertising is recorded as contribution revenue and program expense (professional fees) at their estimated fair value of \$49,974 in the consolidated statement of activities. Donated advertising consists of radio, television, and print materials. Donated advertising is valued based on commercial rates paid by other organizations for comparable services, which are considered Level 3 inputs in the fair value hierarchy. Management employs a third party to assist in the valuation of donated television advertising. The remaining \$399 of in-kind donations were goods and services utilized in providing care for the youth families serviced by Boys Town. Unless otherwise noted, in-kind donations did not have donor-imposed restrictions.

(l) Contracts with Customers

Revenue recognized under ASC Topic 606, *Revenue from Contracts with Customers*, is reported as program service revenue on the consolidated statement of activities. Receivables related to contracts with customers were \$34,500 and \$31,772 as of December 31, 2021 and 2020, respectively, and are

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

reported within accounts receivable on the consolidated statement of financial position. The following table disaggregates program service revenue by major source and program.

	Nebraska Iowa Services	Home Campus Educational Services	Programs Across America	Boys Town National Research Hospital	Boys Town National Hotline and Public Services	Total
Patient service revenue	\$ 5,166	—	1,432	154,972	—	161,570
Agency revenue	<u>18,549</u>	<u>6,447</u>	<u>20,831</u>	<u>5,424</u>	<u>2,247</u>	<u>53,498</u>
Program service revenue	<u>\$ 23,715</u>	<u>6,447</u>	<u>22,263</u>	<u>160,396</u>	<u>2,247</u>	<u>215,068</u>

(i) *Patient Service Revenue*

Patient service revenue is reported at the amount that reflects the consideration expected to be received in exchange for providing patient care. These amounts, representing transaction price, are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, Boys Town bills patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are generally met when the patient is discharged or the visit is complete; typically within a 24-hour period. Performance obligations are satisfied over time, and patient service revenue is recognized when the good or services are provided, and it is believed no additional services will be provided to the patient. Because these performance obligations relate to contracts with a duration of less than one year, Boys Town elected to apply the optional exemption provided in ASC Topic 606 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Boys Town determines the transaction price, which involves significant estimates and judgment, based on standard charges for goods and services provided, and reduced by explicit and implicit price concessions, including contractual adjustments provided to third-party payors, discounts provided to uninsured and underinsured patients in accordance with policy, and/or implicit price concessions based on the historical collection experience of patient accounts. Boys Town determines the transaction prices associated with services provided to patients who have third-party payor coverage based on reimbursement terms per contractual agreements, discount policies, and historical experience. For uninsured patients who do not qualify for charity care, Boys Town determines the transaction price associated with services on the basis of charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on historical collection experience for applicable patient portfolios. Patients who meet Boys Town's criteria for free "charity" care are provided care without charge; such amounts are not reported as revenue. Subsequent changes to the estimate of the transaction price are

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

generally recorded as adjustments to patient service revenue in the period of the change. Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care using the most likely outcome method. These settlements are estimated based on the terms of the payment agreements with the payor, correspondence from the payor, and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as new information becomes available or as years are settled or are no longer subject to such audits, reviews, and investigations.

Boys Town uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing patient services revenue on an individual contract basis. The portfolios consist of types of services provided for outpatient revenue. Based on the historical collection trends and other analyzes, Boys Town believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

BTNRH comprises 96% of Boys Town's patient service revenue. BNTRH has agreements with third-party payors that provide for payments at amounts different from their established rates.

Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Certain outpatient services are reimbursed based on a percentage rate representing the average discounted ratio of cost to charges. Clinic services are paid based on fee schedule amounts.

Revenue from the Medicaid program accounted for approximately 19% of net patient service revenue for the year ended December 31, 2021. Laws and regulations governing the Medicaid program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Boys Town has also entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment under these agreements includes discounts from established charges, prospectively determined per diem rates, fee schedules, and prospectively determined rates per discharge.

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

Patient service revenue recognized by BTNRH in 2021 by major payor sources and reported as program service revenue on the consolidated statement of activities is as follows:

Medicaid	\$	30,017
Commercial insurance and other third-party payors		124,153
Patient (self-pay)		<u>802</u>
Patient service revenue	\$	<u><u>154,972</u></u>

(ii) Agency Revenue

Agency revenue is reported at the amount that reflects the consideration expected to be received in exchange for providing services to youth and families. These revenues are due primarily from contracts with government agencies and may contain fiscal funding clauses. Boys Town is not aware of any contracts where the likelihood of the funding clause to be triggered is more than remote.

Agency revenue is recognized as performance obligations are satisfied. Generally, revenue for performance obligations related to contracts with agencies are satisfied over time and recognized based on a specified transaction price within the contract or stated reimbursable expenses. Boys Town believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the input needed to satisfy the obligation. Boys Town bills monthly after services are provided and typically measures the performance obligation based on time youth and families receive services or the passage of time for the contract term. Because Boys Town has the right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance to date, Boys Town has elected to apply the as-invoiced practical expedient provided in ASC Topic 606 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

(m) Leases

Boys Town determines if an arrangement is or contains a lease at contract inception. The organization recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date.

For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. For finance leases, the lease liability is initially measured in the same manner as for operating leases and is subsequently measured at amortized cost using the effective-interest method.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any incentives received.

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of the lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

For finance leases, the ROU asset is subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of its useful life or the end of the lease term unless the lease transfers ownership of the underlying asset to Boys Town or Boys Town is reasonably certain to exercise an option to purchase the underlying asset. In those cases, the ROU asset is amortized over the useful life of the underlying asset. Amortization of the ROU asset is recognized and presented separately from interest expense on the lease liability.

Operating lease ROU assets are reported as part of prepaid and other assets on the consolidated statement of financial position. Finance lease ROU assets are included in land, buildings, and equipment, net.

Boys Town has elected not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less. Boys Town recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term. Variable lease payments associated with these leases are recognized and presented in the same manner as for all other Boys Town leases.

Boys Town leases generally include nonlease maintenance services (i.e., common area maintenance or equipment maintenance) and other nonlease components. Boys Town has elected the practical expedient to account for the lease and nonlease components as a single lease component. Therefore, for those leases, the lease payments used to measure the lease liability include all the fixed consideration in the contract.

(n) Income Taxes

Boys Town and its affiliates have been recognized as a tax-exempt organization by the Internal Revenue Service (IRS) as described in Section 501(c)(3) of the Code, and, therefore, is exempt from income taxes on related income under Section 501(a) of the Code. Boys Town accounts for uncertainties in accounting for income tax assets and liabilities by recognizing the effect of income tax positions only if those positions are more likely than not of being sustained. At December 31, 2021, Boys Town had no uncertain tax positions accrued.

(o) Pension and Other Postretirement Plans

Boys Town has two defined-benefit pension plans consisting of one for active employees as of January 1, 1998 and one for the executive director.

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

Boys Town records annual amounts relating to its pension and postretirement plans based on calculations that incorporate various actuarial and other assumptions, including discounts rates, mortality, assumed rates of return, compensation increases, and healthcare cost trend rates. Boys Town reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The effect of modifications to those assumptions is recorded in pension-related changes other than net periodic pension cost and amortized to net periodic cost over future periods using the corridor method. Boys Town believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience and market conditions.

The net periodic costs are recognized as employees render the services to earn the postretirement benefits. Boys Town recognized the service cost component as expenses on the consolidated statement of activities and is included in employee benefits on the consolidated statement of functional expenses.

(p) Retained Financial Risk

Boys Town uses a combination of insurance and self-insurance mechanisms to provide for potential liabilities for employee healthcare benefit, workers' compensation, professional liability, general liability, and property damage. Liabilities associated with the risks that are retained by Boys Town are estimated, in part, by considering historical claims experience and evaluations of outside experts, demographic factors, and severity factors. The estimated accrual for these liabilities could be affected if future occurrences and claims differ from these assumptions and historical trends. For the year ended December 31, 2021, self-insurance liability was \$915 and is included in accrued liabilities in the consolidated statement of financial position.

(q) Use of Estimates

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

(r) New Accounting Pronouncements

On January 1, 2021, Boys Town adopted ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This guidance is intended to improve transparency about the measurement of contributed nonfinancial assets for not-for-profit entities. This resulted in a change in presentation on the consolidated statement of activities to separately show contributions and in-kind donations.

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

(3) Liquidity

As of December 31, 2021, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

Financial assets:			
Cash and cash equivalents	\$	12,287	
Accounts receivable, net		40,943	
Investments		234,873	
Board designations:			
Maintenance		2,214	
FFFNC appropriation		48,931	
Neurobehavioral research		245	
		<u>245</u>	
Total financial assets available within one year	\$	<u>339,493</u>	

Boys Town has seasonality of cash flows due to timing of contributions. This seasonality is mitigated through annual appropriation of funds from FFFNC. Although Boys Town has a line of credit available, it is not part of management's liquidity strategy to utilize these funds. Boys Town invests cash in excess of daily requirements in short-term investments. Board designated and endowments with donor restrictions contain investments with provisions that would reduce the total investments that could be made available and therefore are not included above.

(4) Fair Value Measurements

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2021:

	December 31, 2021	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 19,956	19,956	—	—
Beneficial interest in trust assets	94,832	28	—	94,804
Investments (note 5)	454,194	431,602	22,592	—
Investments measured at net asset value ¹ (note 5)	<u>1,094,750</u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ <u>1,663,732</u>	<u>451,586</u>	<u>22,592</u>	<u>94,804</u>

¹ Certain investments that are measured at fair value using net asset value per share (or equivalent) as a practical expedient to fair value have not been categorized in the fair value hierarchy. The fair value

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

amounts presented in this table are presented to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

Beneficial interest in trust assets represents Boys Town's interest in assets held in perpetuity and remainder trust controlled by independent trustees. The estimated value of assets held by independent trustees is Boys Town's percentage interest in the fair value of the underlying investments as reported by the independent trustees (Level 3 inputs).

(5) Investments

The estimated fair value of investments and their level within the fair value hierarchy at December 31, 2021 is as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Short-term investments	\$ 152,870	152,870	—	—
Equities:				
Domestic	116,717	116,717	—	—
Fixed income:				
U.S. Treasury securities	78,380	78,380		
Asset backed	3,953	—	3,953	—
Corporate and agency	16,872	—	16,872	—
Mutual funds:				
Equity	51,295	51,295	—	—
Fixed income	28,192	28,192	—	—
International	3,487	3,487	—	—
Emerging markets	661	661	—	—
Real estate	1,767	—	1,767	—
Investments measured at net asset value ¹ :				
Global equity funds	464,974			
Absolute return funds	202,615			
Long/short equity	70,744			
Private equity funds	233,738			
Energy funds	97,355			
Real assets	25,324			
Total	<u>\$ 1,548,944</u>	<u>431,602</u>	<u>22,592</u>	<u>—</u>

¹ Investments that are measured at fair value using net asset value per share (or equivalent) as a practical expedient have not been categorized in the fair value hierarchy.

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

Below is a summary of investments accounted for at net asset value:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>* Redemption frequency (if currently eligible)</u>	<u>Redemption notice period</u>
Global equity funds (a)	\$ 464,974	—	m/q	3–90 Days
Absolute return funds (b)	202,615	—	q/sa/a	60–90 Days
Long/short equity (c)	70,744	—	m/q	30–90 Days
Private equity funds (d)	233,738	115,561	N/A	N/A
Energy funds (e)	97,355	19,879	N/A	N/A
Real assets (f)	25,324	26,979	N/A	N/A
	<u>\$ 1,094,750</u>	<u>162,419</u>		

* w – weekly, m – monthly, q – quarterly, sa – semiannual, and a – annual

- (a) This class includes investments in funds that primarily invest in U.S. and international listed equity securities.
- (b) The class includes investments in funds that invest in a mix of securities, including equities and fixed income. The funds are primarily multistrategy in their approach and may include tactics such as risk arbitrage, distressed credit, and other long-short strategies. Of this balance, \$24,000 is restricted for the next 15 to 24 months and \$28,000 is illiquid.
- (c) This category includes investments in funds that primarily invest in U.S. common stocks. Of this class, 100% employ a long-short strategy. Of this balance, \$7,000 is restricted for the next 15 to 24 months and \$500 is illiquid.
- (d) This class includes investments in private equity funds that invest primarily in private companies at various stages of development and maturity. These include funds pursuing a leverage buyout, growth equity, or venture capital strategy through investments across the capital structure. These investments can never be redeemed with the fund. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next 14 years.
- (e) This class includes energy funds that invest primarily in interest of oil and gas properties. These investments can never be redeemed with the fund. Distributions from energy funds will be received from the production and marketing of oil and gas and upon final sale of the underlying interest in the properties. It is estimated that the underlying assets of the fund will be liquidated over the next 17 years.
- (f) This class includes real estate funds that employ a value-add strategy across multiple property types, including multifamily, office, industrial, and retail. These investments can never be redeemed with the

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

fund. Distributions from real estate fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next 13 years.

Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of Boys Town's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is, therefore, reasonably possible that, if Boys Town were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value and the discount could be significant.

(6) Land, Buildings, and Equipment, Net

Land, buildings, and equipment, net as of December 31, 2021 is as follows:

Land	\$	5,875
Buildings		274,207
Equipment		152,069
Equipment under finance lease		692
Construction in process		7,343
		<u>440,186</u>
Less accumulated depreciation		<u>231,759</u>
	\$	<u>208,427</u>

(7) Long-Term Debt

Total notes and bonds payable as of December 31, 2021 are summarized below:

(a) Term refinance, due September 1, 2028	30,090
(b) Term bond, Series 2020, due July 2030	55,930
(c) Term loan, unsecured due June 17, 2025	1,119
(d) Term loan, unsecured due June 17, 2025	436
(e) Seminole County, secured by building, forgivable June 21, 2023	900
Total long-term debt	<u>88,475</u>
Unamortized discounts	(475)
Unamortized premium	<u>1,482</u>
Total long-term debt, net of discounts	<u>\$ 89,482</u>

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

- (a) In November 2017, Boys Town issued a revenue refunding bond through the Village of Boys Town at a premium of \$1,014 for net proceeds of \$31,104. Unamortized premium at December 31, 2021 is \$1,014. Interest is payable semiannually at 3% per annum.
- (b) On October 1, 2020, Boys Town issued a revenue refunding bond through the Village whose proceeds will be used for infrastructure improvements and other capital projects, calling the entire 2010 bond series on January 1, 2021, and calling the 2015 series bonds, which were called on October 6, 2020. It was issued at a premium of \$450 for a net proceeds of \$56,157. Unamortized premium at December 31, 2021 is \$351. Interest is payable semiannually at rates that vary between 2.8% and 3.0%. Bonds are callable starting July 1, 2030.
- (c) Payable in monthly installments at a rate of 2.0% per annum
- (d) Payable in monthly installments at a rate of 2.0% per annum
- (e) Interest is paid at 0.00% per annum. Imputed interest was calculated at 6.70%.

Boys Town had two irrevocable letters of credit for a total of \$2,008 in favor of its workers' compensation insurance carrier. No funds were drawn on either as of December 31, 2021.

Boys Town had an available line of credit totaling \$10,000 as of December 31, 2021, of which none was drawn down.

The following table presents aggregate debt maturities as of December 31, 2021:

2022	\$	1,055
2023		159
2024		162
2025		1,079
2026		—
Thereafter		<u>86,020</u>
Total long-term debt	\$	<u>88,475</u>

(8) Pension Plans and Other Postretirement Benefit Plans

Boys Town sponsors a 401(k) plan and defined-benefit pension plans that together cover substantially all of its employees.

All participants of Boys Town's 401(k) plan receive a match of 100% up to 6% of the participant's contributed salary on a monthly basis. Total employer expense to the 401(k) plan was \$7,860 for the year ended December 31, 2021.

Boys Town sponsors two defined-benefit pension plans, one is for employees who were active as of January 1, 1998 and one is for the executive director. The plan assets for the pension plans are held in a

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

master trust. The benefits are based on the employees' years of service and highest 60-month average compensation. Boys Town's policy is to fund, at a minimum, the net periodic pension cost.

The following table summarizes the projected benefit obligation, the fair value of plan assets, and the funded status at the measurement date of December 31, 2021:

	Pension benefits
Change in benefit obligation:	
Benefit obligation at beginning of year	\$ 81,101
Service cost	545
Interest cost	1,733
Actuarial gain	(2,218)
Benefits and expenses paid	(5,543)
Benefit obligation at end of year	<u>75,618</u>
Change in plan assets:	
Fair value of plan assets at beginning of year	67,140
Actual return on plan assets	7,835
Employer contribution	2,115
Benefits and expenses paid	<u>(5,543)</u>
Fair value of plan assets at end of year	<u>71,547</u>
Funded status at end of year	<u>\$ (4,071)</u>

The accumulated benefit obligation for all defined-benefit pension plans was \$74,316 at December 31, 2021.

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

The following table is a summary of the components of net periodic benefit cost prior to settlement and other amounts recognized in the consolidated statement of activities for the year ended December 31, 2021:

	Pension benefits
Service cost	\$ 545
Interest cost	1,733
Expected return on plan assets	(4,398)
Amortization of prior service cost (benefit)	(222)
Amortization of net loss (benefit)	2,349
	7
Net gain	(5,655)
Prior service cost (credit)	222
Amortization of gain(loss)	(2,349)
	(7,782)
Other changes	(7,782)
Total amounts recognized in the consolidated statement of activities	\$ (7,775)

The components of net periodic benefit cost other than the service cost component are included in the line item pension-related changes other than service cost on the consolidated statement of activities.

The estimated net loss and prior service cost (credit) that will be amortized from net assets without donor restrictions into net periodic benefit cost in 2021 are as follows:

	Pension benefits
Net loss (benefit)	\$ 897
Prior service credit	(222)
Net amount	\$ 675

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

Weighted average assumptions used to determine benefit obligations at December 31, 2021 are as follows:

	<u>Employee Plan</u>	<u>Executive Director Plan</u>
Discount rate	2.60 %	2.70 %
Expected long-term rate of return on assets	6.80	6.80
Rate of compensation increase	3.00	3.00

Weighted average assumptions used to determine net periodic cost for the year ended December 31, 2021 are as follows:

	<u>Employee Plan</u>	<u>Executive Director Plan</u>
Discount rate	2.20 %	2.40 %
Expected long-term return on plan assets	6.80	6.80
Rate of compensation increase	3.00	3.00

The expected long-term return on plan assets is based on the asset allocation mix and historical returns, taking into account current and expected market conditions. The actual return (loss) on pension plan assets was approximately 11.6% in 2021. Boys Town's annualized 10-year rate of return on plan assets is approximately 7.5%.

Boys Town's pension plan weighted average asset allocation at December 31, 2021 and target allocation for 2021 are as follows:

	<u>Target allocation 2021</u>	<u>Plan assets at December 31, 2021</u>
Equity securities	54 %	64 %
Fixed income	25	20
Alternative investments	21	16
Total	<u>100 %</u>	<u>100 %</u>

The investment strategy for pension plan assets is to maintain a broadly diversified portfolio designed to achieve a target of an average long-term rate of return of 6.8%. Management believes that Boys Town can achieve a long-term average rate of return of 6.8% but cannot be certain that the portfolio will perform to expectations. Assets are strategically allocated between several equity asset classes and debt securities in order to achieve a diversification level that mitigates wide swings in investment returns. Asset allocation

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

target ranges are reviewed annually. Actual asset allocations are monitored, and rebalancing actions are executed quarterly, if needed.

Pension investments in securities traded on a national securities exchange were valued at the latest quoted market prices. For alternative investments for which there is no readily determinable price, Boys Town uses the net asset value reported by the underlying fund or partnership as a practical expedient to fair value. Due to the nature of these investments, changes in market conditions and the economic environment may significantly impact the net asset value of the investments and, consequently, the fair value of the Boys Town's interests. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is, therefore, reasonably possible that if Boys Town were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value and the discount could be significant.

The asset allocations of Boys Town's pension plan investments and their level within the fair value hierarchy as of the December 31, 2021 measurement date were as follows:

	Total	Level 1	Level 2	Level 3
Short-term securities	\$ 2,672	2,672	—	—
Long-term investments:				
Equities:				
Domestic	3,460	3,460	—	—
Mutual funds:				
Equity	10,254	10,254	—	—
Fixed income	12,828	12,828	—	—
Investments measured at net asset value ¹	42,333			
Total long-term investments	68,875	26,542	—	—
Total	\$ 71,547	29,214	—	—

¹ Certain investments that are measured at fair value using net asset value per share (or equivalent) as a practical expedient have not been categorized in the fair value hierarchy.

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

Below is a summary of investments accounted for at net asset value:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>* Redemption frequency (if currently eligible)</u>	<u>Redemption notice period</u>
Global equity funds (a)	\$ 26,697	—	m	3-31 Days
Absolute return funds (b)	10,572	—	q/sa/a	60-90 Days
Long/short equity (c)	3,967	—	q/a	30-90 Days
Private equity funds (d)	<u>1,097</u>	<u>12</u>	N/A	N/A
	<u>\$ 42,333</u>	<u>12</u>		

* m – monthly, q – quarterly, sa – semiannual, and a – annual

- (a) This class includes investments in funds that primarily invest in U.S. and international listed equity securities.
- (b) The class includes investments in funds that invest in a mix of securities, including equities and fixed income. The funds are primarily multistrategy in their approach and may include tactics such as risk arbitrage, distressed credit, and other long-short strategies. Of this class, \$2,000 is restricted for the next 13 to 24 months and \$900 is illiquid.
- (c) This class includes investments in funds that primarily invest in U.S. common stocks. Of this class, 100% of funds employ a long-short strategy. Of this class, \$600 is restricted for the next 13 to 24 months.
- (d) This class includes real estate fund that employ a value-add strategy across multiple property types including multifamily, office, industrial, and retail. It also includes energy funds that invest primarily in interests of oil and gas properties. These investments can never be redeemed with the fund. Distributions from real estate funds will be received as the underlying investments of the funds are liquidated, and distributions from energy funds will be received from the production and marketing of oil and gas and upon final sale of the underlying interest in the properties. It is estimated that the underlying assets of the fund will be liquidated over the next two years.

Although Boys Town is not required to make any contributions to the pension plans in 2022, Boys Town expects to contribute \$2,120.

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid for the years 2022 through 2031:

	Pension benefits	
2022	\$	4,964
2023		4,922
2024		4,915
2025		5,093
2026		5,148
2027–2031		23,744

(9) Net Assets Designated by the Board

Boys Town's governing board has designated, from net assets without donor restrictions, of \$1,207,694 net assets for the following purposes as of December 31, 2021:

Bond payments	\$	50,372
Board-designated endowments:		
Capital infrastructure		40,930
Research		3,111
Fund for Needy Children		<u>1,113,245</u>
Total funds	\$	<u><u>1,207,658</u></u>

(10) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31, 2021:

Subject to expenditure for specified purpose:		
Education and scholarships	\$	48,854
Specific program activities		3,385
Beneficial interest in assets held in trust		
general operations		8,285
Capital		<u>7,335</u>
		<u>67,859</u>
Subject to passage of time:		
For periods after December 31, 2021		368

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

Investments in perpetuity to support:		
Operations	\$	91,381
Education and scholarships		4,519
Direct care of children		4,982
Research		3,719
		<u>104,601</u>
Total net assets with donor restrictions	\$	<u>172,828</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors for the year ended December 31, 2021:

Purpose restrictions:		
Operations	\$	2,038
Capital		2
Specific program activities		2,122
Education and scholarships		323
		<u>4,485</u>
Time restrictions expired		117
Release of appropriated endowment amounts with purpose restrictions:		
Specific program activities		143
Direct care of children		213
Education and scholarships		80
		<u>436</u>
Total restrictions released	\$	<u>5,038</u>

Investment income and earnings on donor-restricted endowments whose investment income and earnings do not have purpose restrictions are considered received and released in the same period.

(11) Endowment

The Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) sets out guidelines to be considered when managing and investing donor-restricted endowment funds.

Boys Town holds endowment funds for support of its programs and operations. As required by generally accepted accounting principles, net assets and the changes therein associated with endowment funds, including funds designated by the board of trustees to function as endowments, and beneficial interest in

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

trust assets are classified and reported based on the existence or absence of donor-imposed restrictions. The funds classified as beneficial interest in trust funds are not under the control of Boys Town, and as such, Boys Town does not appropriate these funds or control their investment policies.

The board of trustees of Boys Town has interpreted NUPMIFA as allowing Boys Town to appropriate for expenditure or accumulate so much of an endowment fund as Boys Town determines is prudent for the uses, benefits, purposes, and duration for which the endowment is established, subject to the intent of the donor as expressed in the gift instrument. As a result of this interpretation, Boys Town classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. Interest, dividends, and net appreciation of the donor-restricted endowment funds are classified according to donor stipulations, if any. Absent any donor-imposed restrictions, interest, dividends, and net appreciation of donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by Boys Town in a manner consistent with the standard of prudence prescribed by NUPMIFA. In accordance with NUPMIFA, Boys Town considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the endowment fund
- (2) The purposes of Boys Town and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation or deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of Boys Town
- (7) The investment policy of Boys Town.

Endowment net asset composition by type of fund as of December 31, 2021			
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ —	28,334	28,334
Board-designated endowment funds	1,166,727	—	1,166,727
Total funds	<u>\$ 1,166,727</u>	<u>28,334</u>	<u>1,195,061</u>

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

	Changes in endowment net assets Year ended December 31, 2021		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 1,025,680	23,843	1,049,523
Investment return:			
Investment income, net of investment expenses	(6,977)	(136)	(7,113)
Net appreciation (realized and unrealized)	197,082	3,751	200,833
Total investment return	190,105	3,615	193,720
Appropriation of endowment assets for expenditure	(49,059)	(599)	(49,658)
Contributions	1	1,475	1,476
Endowment net assets, end of year	\$ 1,166,727	28,334	1,195,061

(a) Return Objectives and Risk Parameters

Boys Town has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while complying with all donor-imposed restrictions. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed inflation plus the long-term spending rate.

(b) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Boys Town relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Boys Town targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

(c) Appropriation Policy and How the Investment Objectives Relate to Appropriation Policy

Boys Town preserves the whole dollar value of the original gift as of the gift date of donor-restricted endowments, absent explicit donor stipulations to the contrary. Interest, dividend, and net appreciation of the donor-restricted endowments funds are deemed appropriated for expenditure when earned or when donor-imposed restriction is met.

For board-designated endowment funds, Boys Town appropriates distributions in its annual budget while considering the operations of Boys Town as well as expected investment returns and new endowment contributions. Spending is based on 80% of prior year's spending, adjusted for inflation, plus 20% of 5% of the average market value for the four quarters ended June 30 of the previous fiscal year. Over the long term, spending is expected to average 5% of the endowments value with a range of 4% to 6%. Boys Town expects to achieve inflation-adjusted growth of its endowment assets from the

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

total return on investments. Boys Town has a policy that does not permit spending from underwater donor-restricted endowment funds.

(d) Appropriation of Board-Designated Endowment Assets

For 2021, Boys Town has budgeted to appropriate \$48,931 of its board-designated endowment assets to be distributed for spending, consistent with Boys Town's spending rule described above.

(e) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NUPMIFA requires to be retained as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. As of December 31, 2021, there were no funds in an "underwater" position.

(12) Leases

Boys Town is a lessee in several noncancelable operating leases, primarily for office space and finance leases for certain office equipment. The operating leases expire through 2033; however, many of the leases contain renewal options. The financing lease expires in 2024 with renewal options. None of these renewal options were included in the valuation of the ROU and lease liabilities since they were not considered reasonably certain.

The components of lease cost for the year ended December 31, 2021 were \$2,056.

Maturities of lease liabilities under noncancelable leases as of December 31, 2021 are as follows:

	Operating leases	Finance leases
2022	\$ 1,538	149
2023	1,214	149
2024	1,079	149
2025	821	—
2026	724	—
Thereafter	1,144	—
Total undiscounted lease payments	6,520	447
Less imputed interest	(584)	(23)
Total lease liabilities	\$ 5,936	424

BOYS TOWN

Notes to Consolidated Financial Statements

December 31, 2021

(Dollar amounts in thousands)

Boys Town has leases that had not yet commenced as of December 31, 2021. None of these leases create significant rights and obligations.

(13) Commitments and Contingencies

Boys Town is a defendant in a number of lawsuits incidental to its operations. In the opinion of management, the outcome of such lawsuits will not have a materially adverse effect on Boys Town's consolidated financial position or its activities.

(14) Subsequent Events

Boys Town has evaluated subsequent events from the consolidated statement of financial position date through June 6, 2022, the date at which the consolidated financial statements were issued, and determined there are no other items to disclose.

BOYS TOWN
Consolidating Schedule of Financial Position
December 31, 2021
(Dollar amounts in thousands)

Assets	Boys Town	Boys Town North Florida, Inc.	Boys Town Nevada, Inc.	Boys Town Louisiana Inc.	Boys Town Central Florida Inc.	Boys Town South Florida Inc.	Boys Town New England Inc.	Boys Town Washington, DC Inc.	Eliminations	Boys Town and program- related affiliates
Cash and cash equivalents	\$ 19,620	25	84	124	47	21	17	18	—	19,956
Accounts receivable	36,233	406	921	858	281	508	401	1,335	—	40,943
Prepaid and other	18,497	32	58	288	96	1,930	436	38	—	21,375
Investments	431,795	130	3,349	—	—	—	—	46	—	435,320
Beneficial interest in trust assets	94,832	—	—	—	—	—	—	—	—	94,832
Investment in consolidated subsidiaries	26,622	—	—	—	—	—	—	—	(26,622)	—
Interest in Father Flanagan's Fund for Needy Children	1,113,245	—	—	—	—	—	—	—	—	1,113,245
Land, buildings, and equipment, net	186,892	2,310	535	1,078	3,582	14	4,313	9,703	—	208,427
Total assets	\$ 1,927,736	2,903	4,947	2,348	4,006	2,473	5,167	11,140	(26,622)	1,934,098
Liabilities and Net Assets										
Liabilities:										
Accounts payable	\$ 23,162	38	50	264	42	13	49	67	-	23,685
Accrued liabilities	44,430	9	524	137	92	2,154	459	9	-	47,814
Long-term debt	87,027	436	—	—	900	—	1,119	—	—	89,482
Pension and postretirement benefits liability	4,072	—	—	—	—	—	—	—	—	4,072
Total liabilities	158,691	483	574	401	1,034	2,167	1,627	76	—	165,053
Net assets:										
Without donor restrictions:										
Designated by the board	1,207,658	—	—	—	—	—	—	—	—	1,207,658
Undesignated	388,559	2,335	4,004	1,937	2,947	99	3,463	9,868	(24,653)	388,559
Total without donor restrictions	1,596,217	2,335	4,004	1,937	2,947	99	3,463	9,868	(24,653)	1,596,217
With donor restrictions:										
Restricted by purpose and time	68,227	85	129	10	25	207	77	1,186	(1,719)	68,227
Perpetual in nature	104,601	—	240	—	—	—	—	10	(250)	104,601
Total with donor restrictions	172,828	85	369	10	25	207	77	1,196	(1,969)	172,828
Total net assets	1,769,045	2,420	4,373	1,947	2,972	306	3,540	11,064	(26,622)	1,769,045
Total liabilities and net assets	\$ 1,927,736	2,903	4,947	2,348	4,006	2,473	5,167	11,140	(26,622)	1,934,098

See accompanying independent auditors' report.

BOYS TOWN

Consolidating Schedule of Activities

Year ended December 31, 2021

(Dollar amounts in thousands)

	<u>Boys Town</u>	<u>Boys Town North Florida, Inc.</u>	<u>Boys Town Nevada, Inc.</u>	<u>Boys Town Louisiana Inc.</u>	<u>Boys Town Central Florida Inc.</u>	<u>Boys Town South Florida Inc.</u>	<u>Boys Town New England Inc.</u>	<u>Boys Town Washington, DC Inc.</u>	<u>Eliminations</u>	<u>Boys Town and program- related affiliates</u>
Without donor restriction:										
Revenue, gains, and other support:										
Contributions	\$ 130,378	318	1,005	3,785	295	145	332	636	—	136,894
In-kind donations	49,606	105	54	74	200	108	140	86	—	50,373
Legacies and bequests	12,595	—	178	32	—	—	—	—	—	12,805
Program service revenue	193,503	2,854	2,165	1,678	2,507	3,733	4,151	4,477	—	215,068
Other revenue	3,799	2	24	2	—	6	1	7	—	3,841
Investment return, net	47,763	—	380	—	—	—	—	—	—	48,143
Net assets released from restrictions	4,445	7	—	7	165	244	—	170	—	5,038
Total revenue, gains, and other support	442,089	3,286	3,806	5,578	3,167	4,236	4,624	5,376	—	472,162
Expenses:										
Program services	344,121	5,487	4,819	8,018	5,658	6,213	7,026	5,307	—	386,649
Supporting services	68,972	1,247	1,147	1,109	1,276	1,159	1,195	1,612	—	77,717
Total expenses	413,093	6,734	5,966	9,127	6,934	7,372	8,221	6,919	—	464,366
Revenue, gains, and other support under expenses	28,996	(3,448)	(2,160)	(3,549)	(3,767)	(3,136)	(3,597)	(1,543)	—	7,796
Change in net assets of Father Flanagan's Fund for Needy Children	134,401	—	—	—	—	—	—	—	—	134,401
Change in net assets affiliates	577	—	—	—	—	—	—	—	(577)	—
Support from Father Flanagan's Home	(21,651)	3,633	2,536	3,737	3,700	3,055	3,505	1,485	—	—
Support from Father Flanagan's Fund for Needy Children	46,274	—	—	—	—	—	—	—	—	46,274
Actuarial loss on annuity trust obligations	111	—	—	—	—	—	—	—	—	111
Pension-related changes other than service cost	8,278	—	—	—	—	—	—	—	—	8,278
Increase (decrease) in net assets without donor restriction	196,986	185	376	188	(67)	(81)	(92)	(58)	(577)	196,860
With donor restriction:										
Contributions	9,500	7	—	—	25	219	77	376	—	10,204
Legacies and bequests	—	—	—	—	—	—	—	—	—	—
Investment return, net	10,361	9	—	—	—	—	—	7	—	10,377
Change in value of beneficial interest in trust assets	9,074	—	—	—	—	—	—	—	—	9,074
Net assets released from restrictions	(4,445)	(7)	—	(7)	(165)	(244)	—	(170)	—	(5,038)
Increase (decrease) in net assets with donor restriction	24,490	9	—	(7)	(140)	(25)	77	213	—	24,617
Net assets, beginning of year	1,547,569	2,226	3,997	1,766	3,179	412	3,555	10,909	(26,045)	1,547,568
Net assets, end of year	\$ 1,769,045	2,420	4,373	1,947	2,972	306	3,540	11,064	(26,622)	1,769,045

See accompanying independent auditors' report.

BOYS TOWN
 Schedule of Expenditures of Federal Awards and State Financial Assistance
 Year ended December 31, 2021

Federal grantor agency	Program title	Subgrantor	Pass-through funds	Program number	ALN/CSFA number	Federal expenditures	State expenditures	Federal expenditures to subrecipients
Research and Development Cluster:								
U.S. Department of Health and Human Services – Direct Grants:								
NIDCD	Research Related to Deafness and Communication Disorders				93.173	\$ 4,142,029	—	860,173
NIMH	Mental Health Research Grants				93.242	3,064,804	—	522,312
NIDA	Drug Abuse and Addiction Research Programs				93.279	1,056,095	—	371,563
NH	Research Infrastructure Programs				93.351	1,524,688	—	—
NIGMS	Biomedical Research and Research Training				93.859	2,658,860	—	81,877
CHHDER	Child Health and Human Development Extramural Research				93.865	669,759	—	—
NIA	Aging Research				93.866	26,548	—	—
U.S. Department of Health and Human Services – Pass-Through Grants:								
NIDCD	Research Related to Deafness and Communication Disorders	Creare LLC		84624	93.173	76,701	—	—
NIDCD	Research Related to Deafness and Communication Disorders	Oregon Health & Science University		1017463_BOYTOWN	93.173	74,592	—	—
NIDCD	Research Related to Deafness and Communication Disorders	The Board of Trustees of the University of Illinois		105235-18633	93.173	45,137	—	—
NIDCD	Research Related to Deafness and Communication Disorders	The Ohio State University		60064083 and GR 102414/SPC-1000003644	93.173	10,278	—	—
NIDCD	Research Related to Deafness and Communication Disorders	University of Iowa		502741-01	93.173	59,652	—	—
NIMH	Mental Health Research Grants	The Board of Regents of the University of Nebraska on behalf of the University of Nebraska Medical Center		34-5250-2004-019 and 34-5350-2027-020	93.242	89,867	—	—
NIDA	Drug Abuse and Addiction Research Programs	Virginia Commonwealth University		FP00013323_SAA02	93.242	21,631	—	—
NIGMS	Biomedical Research and Research Training	University of Tennessee on behalf of its Health Science Center		21-3572-BOYS	93.279	98,922	—	—
NIGMS	Biomedical Research and Research Training	The Board of Regents of the University of Nebraska on behalf of the University of Nebraska Lincoln		24-0552-0001-311; 24-0552-0001-211	93.859	14,996	—	—
CHHDER	Child Health and Human Development Extramural Research	The Board of Regents of the University of Nebraska on behalf of the University of Nebraska Medical Center		34-5250-2025-601 & -301 & -302 & -802	93.859	194,649	—	—
NIA	Aging Research	Rush University		20071201-Sub01	93.865	107,349	—	—
NIA	Aging Research	The Board of Regents of the University of Nebraska on behalf of the University of Nebraska Medical Center		34-5250-2015-001	93.866	43,812	—	—
		Northwestern University		60048330 FFBH	93.866	13,942	—	—
	Total Department of Health and Human Services Research and Development Grants					14,394,211	—	1,835,925
Other Research and Development Direct Grants and Pass-Through Grants:								
DOD	Military Medical Research and Development				12.420	90,229	—	30,617
NSF	Education and Human Resources				47.076	98,072	—	82,338
DED	Education Research, Development and Dissemination	Iowa State University		4321705A	84.305A	7,828	—	—
	Total Other Research and Development Direct and Pass-Through Grants					196,129	—	112,955
	Total Research and Development Cluster					14,590,340	—	1,948,880
Child Welfare:								
U.S. Department of Health and Human Services – Pass-Through Grants:								
DHHS	Title IV-E Prevention Program	Iowa Department of Human Services Des Moines, Iowa			93.472	42,523	—	—
DHHS	MaryLee Allen Promoting Safe and Stable Families Program	Communities Connected for Kids Port St. Luice, Florida			93.556	57,516	—	—
		Iowa Department of Human Services Des Moines, Iowa			93.556	48,544	—	—
		Northwest Florida Health Network Tallahassee, Florida			93.556	1,407	—	—
	Total MaryLee Allen Promoting Safe and Stable Families Program					107,467	—	—
DHHS	Temporary Assistance for Needy Families	Iowa Department of Human Services Des Moines, Iowa			93.558	3,058,254	—	—
DHHS	Adoption and Legal Guardianship Incentive Payments	Iowa Department of Human Services Des Moines, Iowa			93.603	83,164	—	—
DHHS	Stephanie Tubbs Jones Child Welfare Services Program	Iowa Department of Human Services Des Moines, Iowa			93.645	32,990	—	—
DHHS	Foster Care Title IV-E	Childnet, West Palm Beach, Florida			93.658	24,353	—	—
		Communities Connected for Kids Port St. Luice, Florida			93.658	72,498	—	—
		Eckerd Youth Alternatives, Inc. Clearwater, Florida			93.658	23,994	—	—
		Embrace Families Orlando, Florida			93.658	228,965	—	—
		Heartland for Children Bartow, Florida			93.658	94,634	—	—
		Iowa Department of Human Services Des Moines, Iowa			93.658	13,335	—	—
		Nebraska Department of Health and Human Services Lincoln, Nebraska		G-2201NEFOST, G-2101NEFOST	93.658	29,658	—	—
		Northwest Florida Health Network Tallahassee, Florida			93.658	78,619	—	—
	Total Foster Care Title IV-E					566,056	—	—

BOYS TOWN
Schedule of Expenditures of Federal Awards and State Financial Assistance
Year ended December 31, 2021

Federal grantor agency	Program title	Subgrantor	Program number	ALN/ CSFA number	Federal expenditures	State expenditures	Federal expenditures to subrecipients		
DHHS	Social Services Block Grant	Childnet, West Palm Beach, Florida		93.667	\$ 37,046	—	—		
		Children's Network of Southwest Florida Fort Myers, Florida		93.667	892	—	—		
		Communities Connected for Kids Port St. Luise, Florida		93.667	55,364	—	—		
		Entrace Families Orlando, Florida		93.667	162,723	—	—		
		Heartland for Children Bartow, Florida		93.667	39,589	—	—		
		Iowa Department of Human Services Des Moines, Iowa		93.667	478,664	—	—		
		Nevada Department of Health and Human Services Carson City, Nevada	BA 3195/35 #1043	93.667	172,011	—	—		
		Northwest Florida Health Network Tallahassee, Florida		93.667	19,404	—	—		
		Total Social Services Block Grant					965,693	—	—
		DHHS	Child Abuse and Neglect State Grants	Northwest Florida Health Network Tallahassee, Florida		93.669	18,937	—	—
		DHHS	Block Grants for Community Mental Health Services	Southeast Florida Behavioral Health Network Jupiter, Florida		93.958	58,028	—	—
DHHS	Mental Health Disaster Assistance and Emergency Mental Health	Nebraska Department of Health and Human Services Lincoln, Nebraska	H07SM083750	93.982	88,067	—	—		
State of Florida – Project Funding:	Out of Home Supports – CSFA 60.074	Childnet, West Palm Beach, Florida		60.074	—	31,865	—		
	CBC-Purchase Therapeutic Services for Children. – CSFA 60.183	Northwest Florida Health Network Tallahassee, Florida		60.183	—	456,242	—		
	The Ounce of Prevention Fund of Florida, Inc. – CSFA 64.035	Ounce of Prevention Tallahassee, Florida		64.035	—	127,926	—		
	Children and Families in Need of Services – CSFA 80.005	Florida Network of Youth and Family Services Tallahassee, Florida		80.005	—	542,978	—		
	Total Child Welfare					5,021,179	1,159,011	—	
Other Federal Awards:									
Child Nutrition Cluster:									
U.S. Department of Agriculture – Pass-Through Grants:									
USDA	National School Lunch Program	Nebraska Department of Education	28-0703	10.555	226,417	—	—		
USDA	National School Lunch Program (Food Donation)	Nebraska Health and Human Services	28-0703	10.555	43,278	—	—		
USDA	National School Lunch Program Healthy Meals	Nebraska Department of Education	21-4210-00-00-028-0703	10.555	2,533	—	—		
Total National School Lunch Program					272,229	—	—		
USDA	Summer Food Service Program for Children	Nebraska Department of Education	28-0703	10.559	231,780	—	—		
Total Child Nutrition Cluster					504,009	—	—		
U.S. Department of Education – Pass-Through Grants:									
DED	Title I Grants to Local Educational Agencies	Omaha Public Schools / Nebraska Department of Education		84.010	52,875	—	—		
DED	Title I Grants to Local Educational Agencies	Educational Service Unit #3 / Nebraska Department of Education		84.010	165,583	—	—		
Total U.S. Department of Education					218,458	—	—		

BOYS TOWN
Schedule of Expenditures of Federal Awards and State Financial Assistance
Year ended December 31, 2021

Federal grantor agency	Program title	Pass-through funds		ALN/CSFA number	Federal expenditures	State expenditures	Federal expenditures to subrecipients
		Subgrantor	Program number				
Other Federal Awards – Direct Grants:							
DHHS	COVID-19 Provider Relief Fund			93.498	\$ 8,411,315	—	—
ACF	Head Start			93.600	3,152,773	—	—
ACF	COVID-19 Head Start			93.600	77,124	—	—
ACF	Basic Center Grant			93.623	170,981	—	—
ACF	COVID-19 Basic Center Grant			93.623	2,553	—	—
HRSA	Mental and Behavioral Health Education and Training Grants			93.732	247,319	—	—
	Total Other Federal Awards – Direct Grants				<u>12,062,065</u>	<u>—</u>	<u>—</u>
Other Federal Awards – Pass-Through Grants:							
DOE	COVID-19 Education Stabilization Fund	Nevada Department of Education Carson City, Nevada	21-746-204000	84.425D	274,931	—	—
DOT	COVID-19 Coronavirus Relief Fund	Southeast Florida Behavioral Health Network Jupiter, Florida		21.019	100,000	—	—
DOT	COVID-19 Coronavirus Relief Fund	Rhode Island Foundation Providence, RI	12180_20217396	21.019	50,000	—	—
	Total Coronavirus Relief Fund				<u>150,000</u>	<u>—</u>	<u>—</u>
	Total Other Federal Awards – Pass-Through Grants				<u>424,931</u>	<u>—</u>	<u>—</u>
	Total Federal Awards and State Financial Assistance				<u>\$ 32,820,982</u>	<u>1,159,011</u>	<u>1,948,880</u>

Abbreviations legend:

ACF	Administration for Children and Families
CHHDER	Child Health and Human Development Extramural Research
DED	Department of Education
DHHS	Department of Health and Human Services
DOT	Department of Treasury
HRSA	Health Resources and Services Administration
NIA	National Institute on Aging
NIDA	National Institute on Drug Abuse
NIDCD	National Institute of Deafness & Other Communication Disorders
NIGMS	National Institute of General Medical Sciences
NIMH	National Institute of Mental Health
NSF	National Science Foundation
USDA	United States Department of Agriculture

See accompanying notes to schedule of expenditures of federal awards and state financial assistance.

BOYS TOWN

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

December 31, 2021

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance has been prepared on the accrual basis of accounting. Under this method, expenditures are recognized when incurred. Expenditures are subject to audit by the granting agency and, in the opinion of management, disallowed costs, if any, will not have a material effect on Boys Town's federal programs and state projects.

(b) Direct and Indirect Federal Award Expenditures

Federal award expenditures consist of direct and indirect costs. Direct costs are those that can be easily identified with an individual, federally sponsored project. The salary of a principal investigator of a sponsored research project and the materials consumed by the project are examples of direct costs.

Unlike direct costs, indirect costs cannot easily be identified with an individual federally sponsored project. Indirect costs are the costs of services and resources that benefit both sponsored and nonsponsored projects and activities. Indirect costs consist of expenses incurred for administration, maintenance, debt, and building and equipment depreciation. Boys Town and federal agencies use an indirect cost rate to charge indirect costs to individual federally sponsored projects. Boys Town has provisional rates for organized research and other sponsored activities that have been approved by the U.S. Department of Health and Human Services effective through December 31, 2022. When specifically stated in respective grant agreements, lower facilities and administrative cost rates were used. Boys Town has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(c) Child Welfare Expenditures

Child Welfare expenditures represent contracts with states and placement agencies to provide services to at-risk youth and their families. Boys Town has been determined to be a subrecipient under these arrangements by the granting agency. Expenditures reported within the schedule represent the percentage of contract funded by the specific federal program as communicated by the granting agency.



KPMG LLP
Suite 300
1212 N. 96th Street
Omaha, NE 68114-2274

Suite 1120
1248 O Street
Lincoln, NE 68508-1493

**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***

The Board of Trustees
Father Flanagan's Boys' Home:

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 consolidated financial statements of Father Flanagan's Boys' Home d/b/a Boys Town (the Organization), which comprise the Organization's consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 6, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 financial statements. 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.

KPMG LLP

Omaha, Nebraska
June 6, 2022



KPMG LLP
Suite 300
1212 N. 96th Street
Omaha, NE 68114-2274

Suite 1120
1248 O Street
Lincoln, NE 68508-1493

Independent Auditors' Report on Compliance for Each Major Federal Program and Major State Project; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and State of Florida Chapter 10.650, *Rules of Auditor General Florida Single Audit Act*

The Board of Trustees
Father Flanagan's Boys' Home:

Report on Compliance for Each Major Federal Program and Major State Project

Opinion on Each Major Federal Program and Major State Project

We have audited Father Flanagan's Boys' Home d/b/a Boys Town's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the Executive Office of the State of Florida Governor's *State Projects Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs and major state projects for the year ended December 31, 2021. The Organization's major federal programs and major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and major state projects for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program and Major State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.650, *Rules of the Auditor General Florida Single Audit Act* (Florida Single Audit Act). Our responsibilities under those standards, Uniform Guidance, and the Florida Single Audit Act are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program and major state project. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs and state projects.



Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, Uniform Guidance, and the Florida Single Audit Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program and major state project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, Uniform Guidance, and the Florida Single Audit Act we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the Florida Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.



Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the Florida Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and the Florida Single Audit Act

We have audited the consolidated financial statements of the Organization as of and for the year ended December 31, 2021, and have issued our report thereon dated June 6, 2022, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Uniform Guidance and the Florida Single Audit Act and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Omaha, Nebraska
August 17, 2022

BOYS TOWN

Schedule of Findings and Questioned Costs

Year ended December 31, 2021

(1) Summary of Auditors' Results

- (a) Type of report issued on whether the consolidated financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the consolidated financial statements:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- (c) Noncompliance, which is material to the consolidated financial statements: **No**
- (d) Internal control deficiencies over major programs and major state projects disclosed by the audit:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- (e) The type of report issued on compliance for major programs: **Unmodified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a) or State of Florida Auditor General Rule 10.650: **No**
- (g) Major programs and major state projects:

Federal:

<u>Program title</u>	<u>ALN number</u>
COVID-19 Education Stabilization Fund	84.425D
COVID-19 Provider Relief Fund	93.498
Temporary Assistance for Needy Families	93.558

State of Florida:

<u>Program title</u>	<u>CSFA number</u>
CBC-Purchase Therapeutic Services for Children	60.183
Children and Families in Need of Services	80.005

- (h) Dollar threshold used to distinguish between Type A and Type B programs under the Uniform Guidance: \$984,629. A threshold of \$347,703 was used to distinguish between Type A and Type B for major state projects.
- (i) Auditee qualified as a low-risk auditee: **Yes**

BOYS TOWN

Schedule of Findings and Questioned Costs

Year ended December 31, 2021

**(2) Findings Relating to the Consolidated Financial Statements Reported in Accordance with
*Government Auditing Standards***

None

(3) Findings and Questioned Costs Relating to Federal Awards

None