BOYS TOWN®
Saving Children Healing Families

2019 CONSOLIDATED FINANCIAL STATEMENTS

KPMG

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Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Father Flanagan's Boys' Home d/b/a Boys Town (Boys Town), which comprise the consolidated statement of financial position as of December 31, 2019, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Father Flanagan's Boys' Home d/b/a Boys Town as of December 31, 2019, 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.

Emphasis of Matter

As discussed in note 2(q) to the consolidated financial statements, Boys Town adopted new accounting guidance for Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to these matters.

Other Matters

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 4 and 5 and the supplementary consolidating schedules of financial position and activities on pages 24 to 27 are 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Omaha, Nebraska
June 17, 2020

Consolidated Statement of Financial Position

December 31, 2019

(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	$	14,220	—	—	14,220
Accounts receivable, net		36,585	162	(162)	36,585
Prepaid and other		15,180	300		15,480
Investments		321,520	935,268	—	1,256,788
Beneficial interest in trust assets		80,902	—	—	80,902
Interest in Father Flanagan's Fund for Needy Children		935,518	—	(935,518)	—
Land, buildings, and equipment, net		175,583	—	—	175,583
Total assets	$	1,579,508	935,730	(935,680)	1,579,558
Liabilities and Net Assets					
Liabilities:					
Accounts payable	$	19,247	—	(162)	19,085
Accrued liabilities		39,469	212	—	39,681
Long-term debt		49,532	—	—	49,532
Pension and postretirement benefits liability		31,517	—	—	31,517
Total liabilities		139,765	212	(162)	139,815
Net assets:					
Without donor restrictions:					
Designated by the board		1,003,302	935,518	(935,518)	1,003,302
Undesignated		299,747	—	—	299,747
Total without donor restrictions		1,303,049	935,518	(935,518)	1,303,049
With donor restrictions:					
Restricted by purpose and time		47,083	—	—	47,083
Perpetual in nature		89,611	—	—	89,611
Total with donor restrictions		136,694	—	—	136,694
Total net assets		1,439,743	935,518	(935,518)	1,439,743
Total liabilities and net assets	$	1,579,508	935,730	(935,680)	1,579,558

See accompanying notes to consolidated financial statements.

Consolidated Statement of Activities

Year Ended December 31, 2019

(Dollar Amounts in Thousands)

	Boys Town and program-related affiliates			Father Flanagan's Fund for Needy Children –		Boys Town
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	Eliminations	consolidated total
Revenue, gains, and other support:						
Contributions	$ 131,478	4,979	136,457	20	—	136,477
Legacies and bequests	15,999	74	16,073	—	—	16,073
Program service revenue	271,020	—	271,020	—	—	271,020
Other revenue	9,625	—	9,625	100	—	9,725
Investment return, net	32,387	6,060	38,447	118,856	—	157,303
Change in value of beneficial interest in trust assets	—	7,377	7,377	—	—	7,377
Net assets released from restrictions	6,126	(6,126)	—	—	—	—
Total revenue, gains, and other support	466,635	12,364	478,999	118,976	—	597,975
Expenses:						
Program services	388,672	—	388,672	—	—	388,672
Supporting services	73,685	—	73,685	820	—	74,505
Total expenses	462,357	—	462,357	820	—	463,177
Revenue, gains, and other support over expenses	4,278	12,364	16,642	118,156	—	134,798
Change in net assets of Father Flanagan's Fund for Needy Children	71,959	—	71,959	—	(71,959)	—
Support from Father Flanagan's Fund for Needy Children	46,197	—	46,197	(46,197)	—	—
Actuarial loss on annuity trust obligations	(83)	—	(83)	—	—	(83)
Pension-related changes other than service cost	(4,967)	—	(4,967)	—	—	(4,967)
Increase (decrease) in net assets	117,384	12,364	129,748	71,959	(71,959)	129,748
Net assets, beginning of year	1,185,665	124,330	1,309,995	863,559	(863,559)	1,309,995
Net assets, end of year	$ 1,303,049	136,694	1,439,743	935,518	(935,518)	1,439,743

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended December 31, 2019
(Dollar Amounts in Thousands)

Cash flows from operating activities:		
Increase in net assets	$	129,748
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Pension-related charges other than net periodic pension cost		2,436
Actuarial loss on annuity trust obligations		83
Net periodic pension cost		1,427
Realized and unrealized gain on investments, net		(146,179)
Change in value of beneficial interest in trust assets		(7,377)
Gain on sale and conversion of building and equipment		(1,756)
Depreciation		12,424
Contributions restricted for long-term investments		(2,962)
Other		1,546
Net changes in assets and liabilities:		
Increase in accounts receivable		(3,045)
Decrease in prepaid expenses and other		2,587
Increase in beneficial interest in trust assets		(446)
Decrease in accounts payable		(6,175)
Decrease in accrued liabilities		(712)
Decrease in pension and postretirement benefit obligation		(2,879)
Net cash used in operating activities		(21,280)

See accompanying notes to consolidated financial statements.

Cash flows from investing activities:		
Purchases of buildings and equipment		(30,306)
Contributions restricted for investment in property and equipment		(44)
Proceeds from sale and conversion of building and equipment		3,820
Proceeds from sale of investments		1,572,430
Purchases of investments		(1,532,644)
Net cash provided by investing activities		13,256
Cash flows from financing activities:		
Proceeds from gift annuities issued		1,352
Contributions restricted for long-term investment		2,962
Payments on long-term obligations		(1,315)
Net cash provided by financing activities		2,999
Net decrease in cash and cash equivalents		(5,025)
Cash and cash equivalents, beginning of year		19,245
Cash and cash equivalents, end of year	$	14,220
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$	1,552
Lease liabilities arising from obtaining operating right-of-use assets		1,156
Lease liabilities arising from obtaining finance right-of-use assets		677

See accompanying notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019
(Dollar Amounts in Thousands)

	Program services					
	Nebraska/ Iowa Services	Home Campus Educational Program	Programs across America	Boys Town National Research Hospital	Boys Town National Hotline and Public Services	Total
Salaries	$ 45,066	8,979	29,353	89,679	2,914	175,991
Employee benefits	11,788	2,163	7,280	17,805	612	39,648
Payroll taxes	3,852	719	2,713	5,977	222	13,483
Total salaries and related expenses	60,706	11,861	39,346	113,461	3,748	229,122
Specific assistance to youth	2,815	138	967	172	2	4,094
Occupancy	3,839	1,088	2,286	3,512	140	10,865
Contract services	37,380	1,444	4,403	7,473	142	50,842
Supplies	1,186	614	629	17,832	177	20,438
Printing and publications	226	16	408	316	774	1,740
Postage	166	5	139	102	392	804
Equipment – rental and maintenance	352	92	229	1,523	18	2,214
Professional fees	1,406	48	1,004	4,980	34,084	41,522
Travel	1,754	61	1,652	911	37	4,415
Information technology	1,177	344	1,037	3,525	117	6,200
Communications	624	41	448	621	49	1,783
Interest	359	138	139	362	9	1,007
Other	268	40	307	1,214	33	1,862
Total expenses before depreciation	112,258	15,930	52,994	156,004	39,722	376,908
Depreciation of buildings and equipment	3,350	957	1,770	5,573	114	11,764
Total expenses	$ 115,608	16,887	54,764	161,577	39,836	388,672

See accompanying notes to consolidated financial statements.

Supporting services			
Management and general	Fundraising	Total	Total expenses
12,911	4,725	17,636	193,627
3,597	1,253	4,850	44,498
1,022	397	1,419	14,902
17,530	6,375	23,905	253,027
—	—	—	4,094
513	129	642	11,507
567	1,265	1,832	52,674
207	356	563	21,001
520	25,838	26,358	28,098
697	12,610	13,307	14,111
61	133	194	2,408
3,330	351	3,681	45,203
218	136	354	4,769
1,233	255	1,488	7,688
81	35	116	1,899
28	502	530	1,537
641	234	875	2,737
25,626	48,219	73,845	450,753
543	117	660	12,424
26,169	48,336	74,505	463,177

See accompanying notes to consolidated financial statements.

(1) Nature of Operations

Father Flanagan's Boys' Home, a nonsectarian, not-for-profit organization governed by a volunteer board, and its affiliates, operates 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 four Intervention and Assessment Homes, three of which are located on the Home Campus and the fourth in Grand Island, Nebraska. 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 close to 5,000 youth and families in 2019 with behavioral problems on an outpatient basis, is a training center for doctoral-level psychologists.

  Nebraska Families Collaborative d/b/a PromiseShip was formed as a joint collaboration between Boys Town, Child Savings Institute, Heartland Family Service, Nebraska Family Support Network, and OMNI Behavioral Health. PromiseShip receives cases from the Nebraska Department of Health and Human Services child welfare system and is responsible for service coordination and case management of all children and families referred. PromiseShip works very closely with the service provider and the family to ensure that safety, permanency, and well-being can be achieved. During 2019, PromiseShip served approximately 3,000 children and families.

- **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 of Boys Town 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 181 students in day school services in 2019.

- **Programs across America** directly served over 15,500 youth in Nebraska/Iowa and over 11,500 at seven active affiliated sites nationwide in 2019. These affiliated sites are Boys Town Central 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.

  National Community Support Services provides training and resources to parents, childcare providers, and educators throughout the United States and internationally. Services are offered through Education and Common Sense Parenting training packages and books from the Boys Town Press. In 2019, 7,771 parents, teachers, administrators, and professionals were trained allowing Boys Town to indirectly impact approximately 163,735 children through this training.

- **Boys Town National Research Hospital** (BTNRH) provides medical and surgical services at two hospital locations and five 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 52,000 children and adolescents in 2019 through a total of 237,000 patient visits.

  Boys Town Pediatrics, BTNRH's group of pediatric physicians, provides primary care and specialty pediatric medical services at four clinic locations in the Omaha area.

  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. In 2019, BTNRH opened 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 24 independent laboratories that focus broadly on areas of scientific inquiry related to communication and neurobehavioral disorders. The research programs at BTNRH received over $8 million in external research funding in 2019.

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.

  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 163,000 contacts in 2019. 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 2019, the website had nearly 775,000 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 6,000 calls were made to the Helpline in 2019 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 affiliates (Boys Town California, Inc.; Boys Town Central Florida, Inc.; Boys Town North Florida, Inc.; Boys Town Nevada, Inc.; Boys Town New England, Inc.; Boys Town New York, Inc.; and Boys Town South Florida, Inc.), Father Flanagan's Fund for Needy Children (FFFNC), the Lied Learning and Technology Center for Childhood Deafness and Vision Disorders, and PromiseShip, a separate nonprofit corporation in which Boys Town has a controlling interest. 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 and noncontrolling interests that are not subject to donor-imposed stipulations.
- 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.

(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.

(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.

(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. 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.

Donated advertising and airtime are recorded as contribution revenue and program expense (professional fees) at their estimated fair value of $33,856 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.

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 2019, Boys Town reported $13,599 in government grant revenue.

(k) Contracts with Customers

Revenue recognized under ASC Topic 606, *Revenue from Contracts with Customers,* is reported as program service revenue on the statement of activities. Receivables related to contracts with customers were $34,121 and $30,389 as of December 31, 2019 and December 31, 2018, respectively, and is reported within accounts receivable on the 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	$ 4,720	—	1,182	150,952	—	156,854
Agency revenue	79,502	7,455	19,540	5,653	2,016	114,166
Program service revenue	$ 84,222	7,455	20,722	156,605	2,016	271,020

(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 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 17% of net patient service revenue for the year ended December 31, 2019. 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.

(Dollar Amounts in Thousands)

Patient service revenue recognized in 2019 by major payor sources and reported as program service revenue on the statement of activities is as follows:

Medicaid	$	25,827
Commercial insurance and other third-party payors		123,471
Patient (self-pay)		1,654
Patient service revenue	$	150,952

(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. During the year ended December 31, 2019, PromiseShip's contract with the State of Nebraska represented 22% of program service revenue. The contract period ended December 31, 2019 and was not renewed.

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.

(l) Leases

Boys Town accounts for leases in accordance with ASC Topic 842, *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 and date 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.

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 financing 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 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.

(m) 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, 2019, Boys Town had no uncertain tax positions accrued.

(n) 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 also provides healthcare benefits for retired employees hired prior to January 1, 2002.

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.

(o) 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, 2019, self-insurance liability was $1,098 and is included in accrued liabilities in the consolidated statement of financial position.

(p) 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.

(q) New Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on balance sheet and disclose key information about leasing arrangements.

Boys Town adopted ASU No. 2016-02 as of January 1, 2019, and all related amendments using the modified retrospective transition approach. Boys Town has elected to adopt the package of transition practical expedients and, therefore, has not reassessed whether existing or expired contracts contain a lease, lease classification for existing or expired leases, or the accounting for initial direct costs that were previously capitalized.

As a result of adopting ASU No. 2016-02, Boys Town recognized additional liabilities of $5,168 with corresponding ROU assets of $5,808 as of January 1, 2019. There was no impact on the statement of activities.

In March of 2017, the FASB issued ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which brings conformity in reporting net periodic pension cost and net periodic postretirement benefit cost. This guidance requires the service cost component of net periodic benefit cost for pension and other postretirement benefits be presented as a component part of employee benefit expense. The other components of net periodic benefit cost, such as interest, expected return on plan assets, and amortization of other actuarially determined amounts, are required to be presented as a nonoperating change in net assets without restrictions.

As a result of adopting ASU No. 2017-07, Boys Town's service cost from pension-related changes other than net periodic pension costs is now presented on statement of activities and is included under employee benefits as presented on the statement of functional expenses.

(3) Liquidity

As of December 31, 2019, 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	$	9,093
Accounts receivable, net		36,585
Investments		191,502
Board designations:		
Maintenance		2,050
FFFNC appropriation		46,560
Total financial assets available within one year	$	285,790

Boys Town has seasonality of cash flows due to timing of contributions. This seasonality is mitigated through annual appropriation of funds from Father Flanagan's Fund for Needy Children. 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.

(Dollar Amounts in Thousands)

(4) Fair Value Measurements

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2019:

	December 31, 2019	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 14,220	14,220	—	—
Beneficial interest in trust assets	80,902	127	—	80,775
Investments (note 5)	372,145	357,035	15,110	—
Investments measured at net asset value[1] (note 5)	884,643			
Total	$ 1,351,910	371,382	15,110	80,775

[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 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, 2019 is as follows:

	Total	Level 1	Level 2	Level 3
Short-term investments	$ 66,511	66,511	—	—
Equities:				
Domestic	136,837	136,837	—	—
Fixed income:				
U.S. Treasury securities	122,352	122,352	—	—
Asset backed	459	—	459	—
Corporate and agency	12,949	—	12,949	—
Mutual funds:				
Equity	9,705	9,705	—	—
Fixed income	17,252	17,252	—	—
International	3,265	3,265	—	—
Emerging markets	1,113	1,113	—	—
Real estate	1,702	—	1,702	—
Investments measured at net asset value[1]:				
Global equity funds	379,725			
Absolute return funds	209,815			
Long/short equity	77,694			
Private equity funds	103,886			
Energy funds	98,092			
Real assets	15,431			
Total	$ 1,256,788	357,035	15,110	—

[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.

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

	Fair value	Unfunded commitments	* Redemption frequency (if currently eligible)	Redemption notice period
Global equity funds (a)	$ 379,725	—	w/m/a	3–90 Days
Absolute return funds (b)	209,815	—	q/sa/a	45–90 Days
Long/short equity (c)	77,694	5,000	q/sa/a	30–90 Days
Private equity funds (d)	103,886	84,649	N/A	N/A
Energy funds (e)	98,092	37,510	N/A	N/A
Real assets (f)	15,431	23,608	N/A	N/A
	$ 884,643	150,767		

* 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 common stocks. Of this balance, $5 is illiquid.

(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 such tactics as risk arbitrage, distressed credit, and other long-short strategies. Of this balance, $20,000 is restricted for the next 18 to 36 months and $27,000 is illiquid.

(c) This class includes investments in funds that primarily invest in U.S. common stocks. Of this class, 100% employ a long-short strategy. Of this balance, $19,000 is restricted for the next 18 to 36 months.

(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 form 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 13 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 19 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 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 12 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, 2019 is as follows:

Land	$ 6,126
Buildings	246,495
Equipment	129,256
Equipment under finance lease	820
Construction in process	9,492
	392,189
Less accumulated depreciation	216,606
	$ 175,583

(7) Long-Term Debt

Total notes and bonds payable as of December 31, 2019 are summarized below:

(a) Term bond, Series 2010, due July 2030	$ 10,335
(b) Term bond, refinance, due October 2028	5,686
(c) Term refinance, due September 1, 2028	30,090
(d) Term loan, unsecured due March 2022	1,313
(e) Term loan, unsecured due September 2023	522
(f) Seminole County, secured by building, forgivable June 21, 2020	900
(g) Loan on leasehold improvements	3
Total long-term debt	48,849
Unamortized discounts	(150)
Unamortized premium	833
Total long-term debt, net of discounts	$ 49,532

(Dollar Amounts in Thousands)

(a) On November 11, 2010, a term bond of Nebraska Elementary and Secondary School Finance Authority Educational Facility Revenue Bonds (Boys Town Project) was issued at a discount of $237 for net proceeds of $10,099. Unamortized discount at December 31, 2019 is $150. Interest is payable semiannually at rates ranging from 3.75% and 4.00% per annum.

(b) In September 2015, Boys Town issued a term bond whose proceeds were used to call a previous issue. The term bond is paid in monthly installments through October 2028 at 2.815% per annum.

(c) 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, 2019 is $833. Interest is payable semiannually at 3.0% per annum.

(d) Payable in monthly installments at a rate of 3.90% per annum

(e) Payable in monthly installments at a rate of 3.65% per annum

(f) Interest is paid at 0.00% per annum. Imputed interest was calculated at 6.70%.

(g) Payable in monthly installments.

Boys Town had two irrevocable letters of credit for a total of $2,100 in favor of its workers' compensation insurance carrier. No funds were drawn on either as of December 31, 2019.

Boys Town had an available line of credit totaling $5,000 as of December 31, 2019 of which none was drawn down.

The following table presents aggregate debt maturities as of December 31, 2019:

2020	$	1,599
2021		718
2022		1,785
2023		1,016
2024		639
Thereafter		43,092
Total long-term debt	$	48,849

(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 $8,246 for the year ended December 31, 2019.

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 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.

Boys Town also provides certain healthcare benefits for retired employees hired prior to January 1, 2002. The healthcare plan is contributory with participants' contributions adjusted periodically. Boys Town's postretirement healthcare plan is not currently funded.

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, 2019:

		Pension benefits	Healthcare benefits
Change in benefit obligation:			
Benefit obligation at beginning of year	$	71,751	16,119
Service cost		541	233
Interest cost		2,875	623
Plan participants' contributions		—	702
Actuarial gain		7,912	1,401
Benefits and expenses paid		(4,773)	(1,603)
Federal subsidy and reinsurance receipts		—	21
Plan amendments		(915)	—
Benefit obligation at end of year		77,391	17,496
Change in plan assets:			
Fair value of plan assets at beginning of year		57,336	—
Actual return on plan assets		8,807	—
Employer contribution		2,000	901
Plan participants' contributions		—	702
Benefits and expenses paid		(4,773)	(1,603)
Fair value of plan assets at end of year		63,370	—
Funded status at end of year	$	(14,021)	(17,496)

The accumulated benefit obligation for all defined-benefit pension plans was $75,894 at December 31, 2019. The accumulated postretirement healthcare obligation was $17,496 at December 31, 2019.

The following table is a summary of the components of net periodic benefit cost and other amounts recognized in the consolidated statement of activities for the year ended December 31, 2019:

		Pension benefits	Healthcare benefits
Service cost	$	541	233
Interest cost		2,875	623
Expected return on plan assets		(3,743)	—
Amortization of prior service cost (benefit)		64	—
Amortization of net loss (benefit)		3,335	(2,501)
Net periodic cost (benefit)		3,072	(1,645)
Net gain		2,849	1,400
Prior service cost (credit)		(915)	—
Amortization of prior service cost (benefit)		(3,399)	2,501
Other changes		(1,465)	3,901
Total amounts recognized in the consolidated statement of activities	$	1,607	2,256

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 2020 are as follows:

		Pension benefits	Healthcare benefits
Net loss (benefit)	$	3,641	(2,060)
Prior service credit		(222)	—
Net amount	$	3,419	(2,060)

Weighted average assumptions used to determine benefit obligations at December 31, 2019 are as follows:

	Pension benefits	Healthcare benefits
Discount rate	3.10 %	3.10 %
Rate of compensation increase (employee plan only)	3.00	—
Rate of compensation increase (executive director plan)	3.00	—

Weighted average assumptions used to determine net periodic cost for the year ended December 31, 2019 are as follows:

	Pension benefits	Healthcare benefits
Discount rate	4.10 %	4.10 %
Expected long-term return on plan assets	6.80	—
Rate of compensation increase (employee plan only)	3.30	—
Rate of compensation increase (executive director plan)	3.00	—

Assumed healthcare cost trend rate at December 31, 2019 is as follows:

Healthcare cost trend rate assumed for next year	5.75 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00
Year that the rate reaches the ultimate trend rate	2023

A one-percentage point change in assumed healthcare cost rates would have the following effect:

		One-percent increase	One-percent decrease
Effect on service and interest cost	$	129	(109)
Effect on postretirement benefit obligation		2,181	(1,899)

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 15.8% in 2019. Boys Town's annualized five-year rate of return on plan assets is approximately 4.5%.

Boys Town's pension plan weighted average asset allocation at December 31, 2019 and target allocation for 2019 are as follows:

	Target allocation 2019	Plan assets at December 31, 2019
Equity securities	48 %	52 %
Fixed income	25	23
Alternative investments	27	25
Total	100 %	100 %

(Dollar Amounts in Thousands)

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 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, 2019 measurement date were as follows:

		Total	Level 1	Level 2	Level 3
Short-term securities	$	1,674	1,674	—	—
Long-term investments:					
Equities:					
Domestic		2,979	2,979	—	—
Mutual funds:					
Equity		7,459	7,459	—	—
Fixed income		12,812	12,812	—	—
International		2,636	2,636	—	—
Emerging markets		—	—	—	—
Investments measured at net asset value[1]		35,810			
Total long-term investments		61,696	25,886	—	—
Total	$	63,370	27,560	—	—

[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.

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

		Fair value	Unfunded commitments	* Redemption frequency (if currently eligible)	Redemption notice period
Global equity funds (a)	$	19,580	—	m/q/a	10–90 Days
Absolute return funds (b)		11,260	—	q/sa/a	30–90 Days
Long/short equity (c)		3,637	500	q/sa/a	30–90 Days
Private equity funds (d)		1,333	12	N/A	N/A
	$	35,810	512		

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

(a) This class includes investments in funds that primarily invest in U.S. and international common stocks.

(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 such tactics as risk arbitrage, distressed credit, and other long-short strategies. Of this class, $1,900 is restricted for the next 18 to 36 months and $1,100 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, $1,200 is restricted for the next 18 to 36 months.

(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 leveraged 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 four years.

Although Boys Town is not required to make any contributions to the pension plans in 2020, Boys Town expects to contribute $2,000 to the pension plan and $911 to its healthcare benefit plan and receive $130 in federal subsidy payments.

The following benefit payments and federal subsidy receipts, which reflect expected future service, as appropriate, are expected to be paid for the years 2020 through 2029:

		Pension benefits	Healthcare benefits	Expected federal subsidy receipts
2020	$	4,899	911	130
2021		4,914	997	144
2022		4,925	1,006	161
2023		4,887	1,040	33
2024		4,937	1,022	30
2025–2029		24,978	5,373	108

(9) Net Assets Designated by the Board

Boys Town's governing board has designated, from net assets without donor restrictions, of $1,003,302 net assets for the following purposes as of December 31, 2019:

Bond payments	$	23,147
Board-designated endowments:		
Capital infrastructure		42,271
Research		2,366
Fund for Needy Children		935,518
Total funds	$	1,003,302

(10) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31, 2019:

Subject to expenditure for specified purpose:		
Education and scholarships	$	34,089
Specific program activities		5,025
Beneficial interest in assets held in trust general operations		7,458
Capital		66
		46,638
Subject to passage of time:		
For periods after December 31, 2019	$	445
Investments in perpetuity to support:		
Operations		78,175
Education and scholarships		4,121
Direct care of children		3,685
Research		3,630
		89,611
Total net assets with donor restrictions	$	136,694

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, 2019:

Purpose restrictions:		
Operations	$	2,385
Capital		254
Specific program activities		2,931
Education and scholarships		174
		5,744
Time restrictions expired		80
Release of appropriated endowment amounts with purpose restrictions:		
Specific program activities		62
Direct care of children		105
Education and scholarships		135
		302
Total restrictions released	$	6,126

Investment income and earnings on endowments without purpose restrictions are considered restricted donations that were 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.

(Dollar Amounts in Thousands)

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 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, 2019		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$ —	22,213	22,213
Board-designated endowment funds	980,155	—	980,155
Total funds	$ 980,155	22,213	1,002,368

	Changes in endowment net assets Year ended December 31, 2019		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ 902,552	18,858	921,410
Investment return:			
Investment income	4,320	84	4,404
Net appreciation (realized and unrealized)	119,864	1,903	121,767
Total investment return	124,184	1,987	126,171
Appropriation of endowment assets for expenditure	(49,067)	(304)	(49,371)
Contributions	2,386	1,672	4,058
Other income	100	—	100
Endowment net assets, end of year	$ 980,155	22,213	1,002,368

(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 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 2020, Boys Town has budgeted to appropriate $46,560 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, 2019, 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 leases expire in 2024 with renewal options. None of these renewal options were included in the valuation of the right-of-use assets and lease liabilities since they were not considered reasonably certain. In circumstances where the lease agreement may contain both lease and nonlease components, Boys Town elected the practical expedient to not separate these components but treat the lease as containing a single component. Payments due under the lease contracts include fixed payments plus, for many of the leases, variable payments such as common area maintenance and the proportionate share of the building's property taxes and insurance. Financing leases contain nonlease components for items such as maintenance and usage.

The components of lease cost for the year ended December 31, 2019 were $3,695.

Maturities of lease liabilities under noncancelable leases as of December 31, 2019 are as follows:

		Operating leases	Financing leases
2020	$	1,534	149
2021		1,151	149
2022		975	149
2023		949	149
2024		830	149
Thereafter		1,449	—
Total undiscounted lease payments		6,888	745
Less imputed interest		(837)	(64)
Total lease liabilities	$	6,051	681

Boys Town has leases that had not yet commenced as of December 31, 2019. 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 17, 2020, the date at which the consolidated financial statements were issued, and determined, other than items below, there are no other items to disclose.

On January 30, 2020, the World Health Organization declared the outbreak of COVID-19 as a "public health emergency of international concern," and on March 13, 2020, the president of the United States declared a state of national emergency. As a result of the outbreak, there has been instability in the capital markets. The ultimate impact of the COVID-19 outbreak is highly uncertain. Boys Town's business and investment values are likely to be impacted by COVID-19. Management does not yet know the full extent of potential impacts on the business.

Consolidated Schedule of Financial Position

Year Ended December 31, 2019
(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.
Cash and cash equivalents	$ 10,259	18	50	24	74	54
Accounts receivable	32,291	407	392	721	429	775
Prepaid and other	11,171	28	111	261	247	2,455
Investments	318,044	119	3,017	—	—	—
Beneficial interest in trust assets	80,902	—	—	—	—	—
Investment in consolidated subsidiaries	27,061	—	—	—	—	—
Interest in Father Flanagan's Fund for Needy Children	935,518	—	—	—	—	—
Land, buildings, and equipment, net	152,724	2,391	618	1,230	3,652	83
Total assets	$ 1,567,970	2,963	4,188	2,236	4,402	3,367
Liabilities and Net Assets						
Liabilities:						
Accounts payable	$ 15,063	45	12	93	18	26
Accrued liabilities	34,853	14	133	167	158	2,701
Long-term debt	46,794	522	—	3	900	1
Pension and postretirement benefits liability	31,517	—	—	—	—	—
Total liabilities	128,227	581	145	263	1,076	2,728
Net assets:						
Without donor restrictions:						
Designated by the board	1,003,302	—	—	—	—	—
Undesignated	299,747	2,310	3,587	1,962	3,202	472
Total without donor restrictions	1,303,049	2,310	3,587	1,962	3,202	472
With donor restrictions:						
Restricted by purpose and time	47,083	72	216	11	124	167
Perpetual in nature	89,611	—	240	—	—	—
Total with donor restrictions	136,694	72	456	11	124	167
Total net assets	1,439,743	2,382	4,043	1,973	3,326	639
Total liabilities and net assets	$ 1,567,970	2,963	4,188	2,236	4,402	3,367

See accompanying independent auditors' report.

Boys Town New England Inc.	Boys Town Washington D.C., Inc.	Nebraska Families Collaborative	Eliminations	Boys Town and program-related affiliates
30	24	3,687	—	14,220
486	818	875	(609)	36,585
771	32	104	—	15,180
—	13	327	—	321,520
—	—	—	—	80,902
—	—	—	(27,061)	—
—	—	—	—	935,518
4,568	10,317	—	—	175,583
5,855	11,204	4,993	(27,670)	1,579,508
132	17	4,450	(609)	19,247
701	10	732	—	39,469
1,312	—	—	—	49,532
—	—	—	—	31,517
2,145	27	5,182	(609)	139,765
—	—	—	—	1,003,302
3,599	11,160	(214)	(26,078)	299,747
3,599	11,160	(214)	(26,078)	1,303,049
111	7	25	(733)	47,083
—	10	—	(250)	89,611
111	17	25	(983)	136,694
3,710	11,177	(189)	(27,061)	1,439,743
5,855	11,204	4,993	(27,670)	1,579,508

See accompanying independent auditors' report.

Consolidated Schedules of Activities

Year Ended December 31, 2019
(Dollar Amounts in Thousands)

	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.
Without donor restriction:						
Revenue, gains, and other support:						
Contributions	$ 124,159	549	1,038	3,533	405	154
Legacies and bequests	15,475	—	70	—	—	—
Program service revenue	194,189	3,160	612	1,941	3,076	4,416
Other revenue	7,801	3	2,344	—	12	3
Investment return, net	32,186	1	155	—	—	—
Net assets released from restrictions	5,222	33	521	11	103	44
Total revenue, gains, and other support	379,032	3,746	4,740	5,485	3,596	4,617
Expenses:						
Program services	294,709	5,505	3,556	7,446	5,719	7,176
Supporting services	61,941	1,153	900	1,067	984	1,018
Total expenses	356,650	6,658	4,456	8,513	6,703	8,194
Revenue, gains, and other support under expenses	22,382	(2,912)	284	(3,028)	(3,107)	(3,577)
Change in net assets of Father Flanagan's Fund for Needy Children	71,959	—	—	—	—	—
Change in net assets affiliates	(2,045)	—	—	—	—	—
Support from Father Flanagan's Home	(20,052)	2,773	2,034	3,005	3,233	3,505
Transfer of assets to Father Flanagan's Home	3,694	—	(3,694)	—	—	—
Support from Father Flanagan's Fund for Needy Children	46,197	—	—	—	—	—
Actuarial loss on annuity trust obligations	(83)	—	—	—	—	—
Pension-related changes other than service cost	(4,967)	—	—	—	—	—
Increase (decrease) in net assets without donor restriction	117,085	(139)	(1,376)	(23)	126	(72)
With donor restriction:						
Contributions	4,381	17	194	11	95	167
Legacies and bequests	74	—	—	—	—	—
Investment return, net	6,053	5	—	—	—	—
Change in value of beneficial interest in trust assets	7,377	—	—	—	—	—
Net assets released from restrictions	(5,222)	(33)	(521)	(11)	(103)	(44)
Increase (decrease) in net assets with donor restriction	12,663	(11)	(327)	—	(8)	123
Net assets, beginning of year	1,309,995	2,532	5,746	1,996	3,208	588
Net assets, end of year	$ 1,439,743	2,382	4,043	1,973	3,326	639

See accompanying independent auditors' report.

Boys Town New England Inc.	Boys Town Washington D.C., Inc.	Nebraska Families Collaborative	Eliminations	Boys Town and program-related affiliates
378	883	979	(600)	131,478
454	—	—	—	15,999
5,062	2,456	59,432	(3,324)	271,020
4	23	45	(610)	9,625
—	—	45	—	32,387
70	—	122	—	6,126
5,968	3,362	60,623	(4,534)	466,635
7,583	5,144	56,368	(4,534)	388,672
1,183	1,279	4,160	—	73,685
8,766	6,423	60,528	(4,534)	462,357
(2,798)	(3,061)	95	—	4,278
—	—	—		71,959
—	—	—	2,045	—
2,847	2,655	—	—	—
—	—	—	—	—
—	—	—	—	46,197
—	—	—	—	(83)
—	—	—	—	(4,967)
49	(406)	95	2,045	117,384
111	—	3	—	4,979
—	—	—	—	74
—	2	—	—	6,060
—	—	—	—	7,377
(70)	—	(122)	—	(6,126)
41	2	(119)	—	12,364
3,620	11,581	(165)	(29,106)	1,309,995
3,710	11,177	(189)	(27,061)	1,439,743

See accompanying independent auditors' report.

boystown.org

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