



2020 CONSOLIDATED
FINANCIAL STATEMENTS



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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, which comprise the consolidated statement of financial position as of December 31, 2020, 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 financial position of Father Flanagan's Boys' Home d/b/a Boys Town as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.



Other Matter

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 3, 2021

Consolidated Statement of Financial Position

December 31, 2020
(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	\$ 10,858	—	—	10,858
Accounts receivable, net	40,918	—	(4,437)	36,481
Prepaid and other	21,413	94	—	21,507
Investments	404,878	983,430	—	1,388,308
Beneficial interest in trust assets	87,872	—	—	87,872
Interest in Father Flanagan's Fund for Needy Children	978,844	—	(978,844)	—
Land, buildings, and equipment, net	188,062	—	—	188,062
Total assets	<u>\$ 1,732,845</u>	<u>983,524</u>	<u>(983,281)</u>	<u>1,733,088</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable	\$ 22,310	4,437	(4,437)	22,310
Accrued liabilities	49,005	243	—	49,248
Long-term debt	100,001	—	—	100,001
Pension and postretirement benefits liability	13,961	—	—	13,961
Total liabilities	<u>185,277</u>	<u>4,680</u>	<u>(4,437)</u>	<u>185,520</u>
Net assets:				
Without donor restrictions:				
Designated by the board	1,055,501	978,844	(978,844)	1,055,501
Undesignated	343,856	—	—	343,856
Total without donor restrictions	<u>1,399,357</u>	<u>978,844</u>	<u>(978,844)</u>	<u>1,399,357</u>
With donor restrictions:				
Restricted by purpose and time	53,171	—	—	53,171
Perpetual in nature	95,040	—	—	95,040
Total with donor restrictions	<u>148,211</u>	<u>—</u>	<u>—</u>	<u>148,211</u>
Total net assets	<u>1,547,568</u>	<u>978,844</u>	<u>(978,844)</u>	<u>1,547,568</u>
Total liabilities and net assets	<u>\$ 1,732,845</u>	<u>983,524</u>	<u>(983,281)</u>	<u>1,733,088</u>

Consolidated Statement of Activities

Year Ended December 31, 2020

(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	\$ 165,935	3,807	169,742	30	—	169,772
Legacies and bequests	9,612	—	9,612	—	—	9,612
Program service revenue	194,318	—	194,318	—	—	194,318
Other revenue	46,249	—	46,249	—	—	46,249
Investment return, net	27,390	5,518	32,908	90,878	—	123,786
Change in value of beneficial interest in trust assets	—	7,705	7,705	—	—	7,705
Net assets released from restrictions	5,513	(5,513)	—	—	—	—
Total revenue, gains, and other support	449,017	11,517	460,534	90,908	—	551,442
Expenses:						
Program services	358,368	—	358,368	—	—	358,368
Supporting services	67,829	—	67,829	1,022	—	68,851
Total expenses	426,197	—	426,197	1,022	—	427,219
Revenue, gains, and other support over expenses	22,820	11,517	34,337	89,886	—	124,223
Change in net assets of Father Flanagan's Fund for Needy Children	43,326	—	43,326	—	(43,326)	—
Support from Father Flanagan's Fund for Needy Children	46,560	—	46,560	(46,560)	—	—
Actuarial loss on annuity trust obligations	(484)	—	(484)	—	—	(484)
Pension-related changes other than service cost	(15,914)	—	(15,914)	—	—	(15,914)
Increase (decrease) in net assets	96,308	11,517	107,825	43,326	(43,326)	107,825
Net assets, beginning of year	1,303,049	136,694	1,439,743	935,518	(935,518)	1,439,743
Net assets, end of year	\$ 1,399,357	148,211	1,547,568	978,844	(978,844)	1,547,568

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended December 31, 2020

(Dollar Amounts in Thousands)

Cash flows from operating activities:		
Increase in net assets	\$	107,825
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Pension-related charges other than net periodic pension cost		15,377
Actuarial loss on annuity trust obligations		484
Net periodic pension cost		(30,048)
Realized and unrealized gain on investments, net		(121,835)
Change in value of beneficial interest in trust assets		(7,705)
Gain on sale and conversion of building and equipment		(1,070)
Depreciation		12,877
Contributions restricted for long-term investments		(344)
Other		167
Net changes in assets and liabilities:		
Decrease in accounts receivable		105
Increase in prepaid expenses and other		(3,366)
Decrease in beneficial interest in trust assets		735
Increase in accounts payable		169
Increase in accrued liabilities		7,433
Decrease in pension and postretirement benefit obligation		(2,884)
Net cash used in operating activities		<u>(22,080)</u>

Cash flows from investing activities:	
Purchases of buildings and equipment	(23,034)
Contributions restricted for investment in property and equipment	(27)
Proceeds from sale and conversion of building and equipment	1,809
Proceeds from sale of investments	1,023,623
Purchases of investments	<u>(1,033,310)</u>
Net cash used in investing activities	<u>(30,939)</u>
Cash flows from financing activities:	
Proceeds from gift annuities issued	1,514
Contributions restricted for long-term investment	344
Proceeds on long-term obligations	58,162
Payments on long-term obligations	<u>(10,363)</u>
Net cash provided by financing activities	<u>49,657</u>
Net decrease in cash and cash equivalents	(3,362)
Cash and cash equivalents, beginning of year	<u>14,220</u>
Cash and cash equivalents, end of year	<u><u>\$ 10,858</u></u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for interest	\$ 1,461
Lease liabilities arising from obtaining operating right-of-use assets	3,024

Consolidated Statement of Functional Expenses

Year Ended December 31, 2020

(Dollar Amounts in Thousands)

	Program services					Total
	Nebraska/ Iowa Services	Home Campus Educational Program	Programs across America	Boys Town National Research Hospital	Boys Town National Hotline and Public Services	
Salaries	\$ 32,251	9,297	29,773	98,360	4,324	174,005
Employee benefits	8,509	2,222	7,203	17,408	993	36,335
Payroll taxes	2,706	799	3,141	6,483	317	13,446
Total salaries and related expenses	43,466	12,318	40,117	122,251	5,634	223,786
Specific assistance to youth	2,296	91	1,004	173	2	3,566
Occupancy	2,580	1,178	2,294	4,050	157	10,259
Contract services	3,234	1,261	3,808	6,659	149	15,111
Supplies	1,278	644	715	15,598	148	18,383
Printing and publications	200	13	260	337	803	1,613
Postage	139	5	124	81	388	737
Equipment – rental and maintenance	279	151	157	1,422	24	2,033
Professional fees	790	81	1,054	4,816	52,346	59,087
Travel	448	30	522	547	18	1,565
Information technology	1,097	301	1,409	3,487	179	6,473
Communications	332	37	451	463	42	1,325
Interest	440	270	124	348	16	1,198
Other	171	9	282	496	29	987
Total expenses before depreciation	56,750	16,389	52,321	160,728	59,935	346,123
Depreciation of buildings and equipment	3,189	951	1,667	6,271	167	12,245
Total expenses	\$ 59,939	17,340	53,988	166,999	60,102	358,368

Supporting services

Management and general	Fundraising	Total	Total expenses
9,682	4,466	14,148	188,153
1,859	912	2,771	39,106
681	344	1,025	14,471
12,222	5,722	17,944	241,730
—	—	—	3,566
364	112	476	10,735
429	1,506	1,935	17,046
93	75	168	18,551
677	27,462	28,139	29,752
635	12,451	13,086	13,823
78	21	99	2,132
2,609	1,523	4,132	63,219
65	58	123	1,688
745	166	911	7,384
76	30	106	1,431
23	482	505	1,703
318	277	595	1,582
18,334	49,885	68,219	414,342
509	123	632	12,877
<u>18,843</u>	<u>50,008</u>	<u>68,851</u>	<u>427,219</u>

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, 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 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 2020 with behavioral problems on an outpatient basis, 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 177 students in day school services in 2020.

- **Programs across America** directly served over 5,600 youth in Nebraska/Iowa and over 8,800 at seven active affiliated sites nationwide in 2020. 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 2020, 6,681 parents, teachers, administrators, and professionals were trained allowing Boys Town to indirectly impact approximately 134,000 children through this training.

- **Boys Town National Research Hospital (BTRNH)** provides medical and surgical services at one hospital location and six outpatient clinics in the Omaha, Nebraska metropolitan area. BTRNH 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. BTRNH clinical programs served over 45,277 children and adolescents in 2020 through a total of 206,575 patient visits.

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

BTRNH also provides medically directed behavioral health services. These services include an 80-bed Psychiatric Residential Treatment Facility (PRTF), which is attached to the BTRNH West Hospital. This PRTF is staffed with a multidisciplinary medical and behavioral health staff. BTRNH also has a 16-bed Inpatient Psychiatric Unit (IPU) attached to the BTRNH 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.

BTRNH 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 BTRNH received over \$11.7 million in external research funding in 2020.

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 BTRNH 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 135,000 contacts in 2020. 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 2020, the website had nearly 538,000 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 9,100 calls were made to the Helpline in 2020 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), 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 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. 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.

(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. 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 must be determinable. A conditional promise to give becomes an unconditional promise to give when the barriers in the agreement are overcome and 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.

Donated advertising and airtime are recorded as contribution revenue and program expense (professional fees) at their estimated fair value of \$52,522 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 2020, Boys Town reported \$13,636 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 consolidated statement of activities. Receivables related to contracts with customers were \$31,772 and \$34,121 as of December 31, 2020 and 2019, respectively, and is 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	\$ 4,811	—	1,327	134,701	—	140,839
Agency revenue	21,010	6,769	18,302	5,245	2,153	53,479
Program service revenue	<u>\$ 25,821</u>	<u>6,769</u>	<u>19,629</u>	<u>139,946</u>	<u>2,153</u>	<u>194,318</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 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 18% of net patient service revenue for the year ended December 31, 2020. 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.

Patient service revenue recognized in 2020 by major payor sources and reported as program service revenue on the consolidated statement of activities is as follows:

Medicaid	\$	24,825
Commercial insurance and other third-party payors		108,985
Patient (self-pay)		891
Patient service revenue	\$	<u>134,701</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.

(l) **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 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.

(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, 2020, 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 provided healthcare benefits for retired employees hired prior to January 1, 2002. This plan was closed on December 31, 2020.

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) Other Revenues

Other revenue primarily includes Coronavirus Aid, Relief and Economic Security Act (CARES Act) funding and revenue recognized due to the closure of the retiree medical plan. CARES Act funding was recognized when received while revenue related to retiree medical plan was recognized at the time of plan closure.

(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, 2020, self-insurance liability was \$1,190 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.

(3) Liquidity

As of December 31, 2020, 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	\$ 8,790
Accounts receivable, net	36,481
Investments	215,025
Board designations:	
Maintenance	2,050
FFFNC appropriation	46,274
Neurobehavioral research	<u>94</u>
Total financial assets available within one year	<u>\$ 308,714</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.

(4) Fair Value Measurements

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2020:

	<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 10,858	10,858	—	—
Beneficial interest in trust assets	87,872	126	—	87,746
Investments (note 5)	459,679	441,582	18,097	—
Investments measured at net asset value ¹ (note 5)	<u>928,629</u>			
Total	<u>\$ 1,487,038</u>	<u>452,566</u>	<u>18,097</u>	<u>87,746</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 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

At December 31, 2020, \$10,335 of investments were held in escrow and were restricted for the bond redemption discussed in note 7. These escrowed funds are shown in short-term investments in the table below.

The estimated fair value of investments and their level within the fair value hierarchy at December 31, 2020 is as follows:

	Total	Level 1	Level 2	Level 3
Short-term investments	\$ 182,232	182,232	—	—
Equities:				
Domestic	91,617	91,617	—	—
Fixed income:				
U.S. Treasury securities	68,928	68,928	—	—
Asset backed	609	—	609	—
Corporate and agency	15,634	—	15,634	—
Mutual funds:				
Equity	45,462	45,462	—	—
Fixed income	18,152	18,152	—	—
International	33,733	33,733	—	—
Emerging markets	1,458	1,458	—	—
Real estate	1,854	—	1,854	—
Investments measured at net asset value ¹ :				
Global equity funds	351,313	—	—	—
Absolute return funds	215,199	—	—	—
Long/short equity	122,066	—	—	—
Private equity funds	143,465	—	—	—
Energy funds	81,222	—	—	—
Real assets	15,364	—	—	—
Total	\$ 1,388,308	441,582	18,097	—

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)	\$ 351,313	—	m/q/a	3–90 Days
Absolute return funds (b)	215,199	—	q/sa/a	45–90 Days
Long/short equity (c)	122,066	—	q/sa/a	30–90 Days
Private equity funds (d)	143,465	88,706	N/A	N/A
Energy funds (e)	81,222	28,995	N/A	N/A
Real assets (f)	15,364	32,004	N/A	N/A
	<u>\$ 928,629</u>	<u>149,705</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 such tactics as risk arbitrage, distressed credit, and other long-short strategies. Of this balance, \$28,000 is restricted for the next 15 to 30 months and \$23,000 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, \$18,000 is restricted for the next 15 to 24 months and \$400 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 18 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 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, 2020 is as follows:

Land	\$ 5,875
Buildings	257,380
Equipment	132,356
Equipment under finance lease	710
Construction in process	17,714
	<u>414,035</u>
Less accumulated depreciation	<u>225,973</u>
	<u>\$ 188,062</u>

(7) Long-Term Debt

Total notes and bonds payable as of December 31, 2020 are summarized below:

(a) Term bond, Series 2010, due July 2030	\$ 10,335
(b) Term refinance, due September 1, 2028	30,090
(c) Term bond, Series 2020, due July 2030	55,930
(d) Term loan, unsecured due June 17, 2025	1,225
(e) Term loan, unsecured due June 17, 2025	482
(f) Seminole County, secured by building, forgivable June 21, 2023	900
	<u>98,962</u>
Total long-term debt	98,962
Unamortized discounts	(138)
Unamortized premium	1,177
	<u>1,177</u>
Total long-term debt, net of discounts	<u>\$ 100,001</u>

- (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, 2020 is \$138. Interest is payable semiannually at rates ranging from 3.75% and 4.00% per annum.
- (b) 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, 2020 is \$746. Interest is payable semiannually at 3.0% per annum.
- (c) 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 payed 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, 2020 is \$431. Interest is payable semiannually at rates that vary between 2.38% and 3.0%. Bonds are callable starting July 1, 2030.
- (d) Payable in monthly installments at a rate of 2.0% per annum
- (e) Payable in monthly installments at a rate of 2.0% per annum
- (f) Interest is paid at 0.00% per annum. Imputed interest was calculated at 6.70%.

Boys Town had an available line of credit totaling \$5,000 as of December 31, 2020 of which none was drawn down.

The following table presents aggregate debt maturities as of December 31, 2020:

2021	\$ 10,487
2022	1,055
2023	159
2024	162
2025	1,079
Thereafter	<u>86,020</u>
Total long-term debt	<u>\$ 98,962</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 \$6,934 for the year ended December 31, 2020.

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 provided certain healthcare benefits for retired employees hired prior to January 1, 2002. The healthcare plan was contributory with participants' contributions adjusted periodically. Boys Town ceased offering this plan as of December 31, 2020. As a result of the termination, Boys Town recognized a settlement gain of \$29,996 which is recorded in other revenue on the consolidated statement of activities.

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, 2020:

	Pension benefits	Healthcare benefits
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 77,391	17,496
Service cost	574	240
Interest cost	2,314	513
Plan participants' contributions	—	642
Actuarial gain	5,937	1,204
Benefits and expenses paid	(5,115)	(1,371)
Settlement gain	—	(18,799)
Federal subsidy and reinsurance receipts	—	75
Plan amendments	—	—
Benefit obligation at end of year	<u>81,101</u>	<u>—</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	63,370	—
Actual return on plan assets	6,655	—
Employer contribution	2,230	729
Plan participants' contributions	—	642
Benefits and expenses paid	(5,115)	(1,371)
Fair value of plan assets at end of year	<u>67,140</u>	<u>—</u>
Funded status at end of year	<u>\$ (13,961)</u>	<u>—</u>

The accumulated benefit obligation for all defined-benefit pension plans was \$79,643 at December 31, 2020.

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, 2020:

	Pension benefits	Healthcare benefits
Service cost	\$ 575	240
Interest cost	2,314	513
Expected return on plan assets	(4,148)	—
Amortization of prior service cost (benefit)	(222)	—
Amortization of net loss (benefit)	2,593	(1,917)
Net periodic cost (benefit)	<u>1,112</u>	<u>(1,164)</u>
Net gain	3,430	1,204
Prior service cost (credit)	286	—
Amortization of gain(loss)	—	1,917
Settlement gain	—	11,197
Amortization of prior service cost (benefit)	(2,657)	—
Other changes	<u>1,059</u>	<u>14,318</u>
Total amounts recognized in the consolidated statement of activities	<u>\$ 2,171</u>	<u>13,154</u>

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	Healthcare benefits
Net loss (benefit)	\$ 2,750	—
Prior service credit	(222)	—
Net amount	<u>\$ 2,528</u>	<u>—</u>

Weighted average assumptions used to determine benefit obligations at December 31, 2020 are as follows:

	<u>Pension benefits</u>	<u>Healthcare benefits</u>
Discount rate (employee plan only)	2.20 %	2.20 %
Discount rate (executive director plan)	2.40	—
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, 2020 are as follows:

	<u>Pension benefits</u>	<u>Healthcare benefits</u>
Discount rate	3.10 %	3.10 %
Expected long-term return on plan assets	6.80	—
Rate of compensation increase	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 11.2% in 2020. Boys Town's annualized 10 year rate of return on plan assets is approximately 6.2%.

Boys Town's pension plan weighted average asset allocation at December 31, 2020 and target allocation for 2020 are as follows:

	<u>Target allocation 2020</u>	<u>Plan assets at December 31, 2020</u>
Equity securities	48 %	53 %
Fixed income	25	22
Alternative investments	27	25
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

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, 2020 measurement date were as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Short-term securities	\$ 2,118	2,118	—	—
Long-term investments:				
Equities:				
Domestic	3,427	3,427	—	—
Mutual funds:				
Equity	8,623	8,623	—	—
Fixed income	12,937	12,937	—	—
International	2,573	2,573	—	—
Investments measured at net asset value ¹	<u>37,462</u>	<u>37,462</u>	<u>—</u>	<u>—</u>
Total long-term investments	<u>65,022</u>	<u>27,560</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 67,140</u>	<u>29,678</u>	<u>—</u>	<u>—</u>

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.

Notes to Consolidated Financial Statements

December 31, 2020
(Dollar Amounts in Thousands)

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)	\$ 17,245	—	m/q/a	10–90 Days
Absolute return funds (b)	11,670	—	q/sa/a	30–90 Days
Long/short equity (c)	7,487	—	q/sa/a	30–90 Days
Private equity funds (d)	1,060	12	N/A	N/A
	<u>\$ 37,462</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 such tactics as risk arbitrage, distressed credit, and other long-short strategies. Of this class, \$1,500 is restricted for the next 24 months and \$1,000 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, \$1,600 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 multi-family, office, industrial and retail. It also includes energy funds that invest primarily in interests of oil and gas properties. The fair values of the investments in the real estate funds have been estimated using the net asset value of Boys Town's ownership interest in partners' capital. 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 three years.

Although Boys Town is not required to make any contributions to the pension plans in 2021, Boys Town expects to contribute \$2,115.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid for the years 2021 through 2030:

	Pension benefits
2021	\$ 4,976
2022	4,982
2023	4,937
2024	4,932
2025	5,105
2026–2030	<u>24,320</u>

(9) Net Assets Designated by the Board

Boys Town's governing board has designated, from net assets without donor restrictions, of \$1,055,501 net assets for the following purposes as of December 31, 2020:

Bond payments	\$ 29,821
Board-designated endowments:	
Capital infrastructure	44,224
Research	2,612
Fund for Needy Children	<u>978,844</u>
Total funds	<u>\$ 1,055,501</u>

(10) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31, 2020:

Subject to expenditure for specified purpose:	
Education and scholarships	\$ 39,147
Specific program activities	4,145
Beneficial interest in assets held in trust	
general operations	9,315
Capital	<u>87</u>
	<u>52,694</u>

Subject to passage of time:	
For periods after December 31, 2020	477

Investments in perpetuity to support:		
Operations	\$	83,291
Education and scholarships		4,123
Direct care of children		3,995
Research		3,631
		<u>95,040</u>
Total net assets with donor restrictions	\$	<u>148,211</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, 2020:

Purpose restrictions:		
Operations	\$	1,494
Capital		5
Specific program activities		3,426
Education and scholarships		241
		<u>5,166</u>
Time restrictions expired		104
Release of appropriated endowment amounts with purpose restrictions:		
Specific program activities		87
Direct care of children		145
Education and scholarships		11
		<u>243</u>
Total restrictions released	\$	<u>5,513</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

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, 2020		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ —	23,843	23,843
Board-designated endowment funds	1,025,680	—	1,025,680
Total funds	\$ <u>1,025,680</u>	<u>23,843</u>	<u>1,049,523</u>

**Changes in endowment net assets
Year ended December 31, 2020**

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 980,155	22,213	1,002,368
Investment return:			
Investment income	(2,005)	43	(1,962)
Net appreciation (realized and unrealized)	97,132	1,823	98,955
Total investment return	95,127	1,866	96,993
Appropriation of endowment assets for expenditure	(49,632)	(553)	(50,185)
Contributions	30	317	347
Endowment net assets, end of year	\$ 1,025,680	23,843	1,049,523

(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 2021, Boys Town has budgeted to appropriate \$46,274 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, 2020, 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. 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, 2020 were \$2,163.

Maturities of lease liabilities under noncancelable leases as of December 31, 2020 are as follows:

	Operating leases	Finance leases
2021	\$ 1,631	149
2022	1,473	149
2023	1,205	149
2024	1,072	149
2025	821	—
Thereafter	1,869	—
Total undiscounted lease payments	8,071	596
Less imputed interest	(821)	(41)
Total lease liabilities	\$ 7,250	555

Boys Town has leases that had not yet commenced as of December 31, 2020. None of these leases create significant rights and obligations.

(13) Coronavirus

On March 11, 2020, the World Health Organization designated Coronavirus 2019 (COVID-19) as a global pandemic. Patient activity and related revenues for most services were significantly impacted starting in mid-March as various policies were implemented by federal, state, and local governments in response to the COVID-19 pandemic that caused many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective surgical procedures. Boys Town's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. Precautionary steps to enhance operational and financial flexibility, and react to the risks the COVID-19 pandemic presents to the business, included the following:

- Implemented certain cost reduction initiatives.
- Reduced certain planned projects and capital expenditures.
- Assessed the various federal and state stimulus options available to Boys Town as noted below.

In March 2020, the CARES Act was signed into law providing temporary and limited relief to hospitals and healthcare providers during the COVID-19 outbreak, appropriations were made for hospitals and healthcare providers to cover expenses and lost revenue associated with the treatment of COVID-19 patients, expanding the Medicare Advanced and Accelerated payment program, providing employee retention tax credits to employers affected by COVID-19, eliminating the 2% reduction in Medicare payments from sequestration through 2020, creating an add-on payment for inpatient hospitals treating COVID-19 patients, and delaying a reduction in Medicaid funding for Medicare disproportionate share hospitals.

As of December 31, 2020, Boys Town received \$8,400 under the CARES Act funding for BTNRH. These funds are not subject to repayment, provided Boys Town is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for healthcare-related expenses or lost revenue attributable to COVID-19. Such payments are accounted for as government grants and are recognized on a systematic and rational basis as income once there is reasonable assurance that the applicable terms and conditions required to retain the funds will be met and the funds are received. Based on analysis of the compliance and reporting requirements of the CARES Act and the impact of the pandemic on operating results through the end of 2020, Boys Town has recorded \$8,400 of coronavirus relief funds as other revenue in the consolidated statement of activities.

In January of 2021, Boys Town received additional funding of \$3,700 in Provider Relief Fund General Distributions under the CARES Act.

Boys Town has also deferred employment tax deposits and payments of \$6,400 as of December 31, 2020 under the IRS deferral of employment tax deposits and payments. The program allows Boys Town to defer deposits of the employer's share of social security tax due and payments of the tax imposed on wages paid during the period from March 27, 2020 to December 31, 2020. As of December 31, 2020, the tax deposits and payments deferred of \$6,400 are included in accrued liabilities on the consolidated statement of financial position.

(14) 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.

(15) Subsequent Events

Boys Town has evaluated subsequent events from the consolidated statement of financial position date through June 3, 2021, the date at which the consolidated financial statements were issued, and determined there are no other items to disclose.

Consolidated Schedule of Financial Position

Year Ended December 31, 2020

(Dollar Amounts in Thousands)

Assets	Boys Town	Boys Town	Boys Town	Boys Town	Boys Town	
	Boys Town	North Florida, Inc.	Nevada, Inc.	Louisiana Inc.	Central Florida Inc.	South Florida Inc.
Cash and cash equivalents	\$ 10,241	138	16	41	131	21
Accounts receivable	37,773	295	310	693	241	609
Prepaid and other	18,148	19	69	135	277	2,106
Investments	401,594	122	3,126	—	—	—
Beneficial interest in trust assets	87,872	—	—	—	—	—
Investment in consolidated subsidiaries	26,036	—	—	—	—	—
Interest in Father Flanagan's Fund for Needy Children	978,844	—	—	—	—	—
Land, buildings, and equipment, net	166,121	2,240	573	1,118	3,586	45
Total assets	\$ 1,726,629	2,814	4,094	1,987	4,235	2,781
Liabilities and Net Assets						
Liabilities:						
Accounts payable	\$ 21,923	94	13	175	12	14
Accrued liabilities	45,782	12	84	46	144	2,355
Long-term debt	97,394	482	—	—	900	—
Pension and postretirement benefits liability	13,961	—	—	—	—	—
Total liabilities	179,060	588	97	221	1,056	2,369
Net assets:						
Without donor restrictions:						
Designated by the board	1,055,501	—	—	—	—	—
Undesignated	343,857	2,151	3,735	1,759	3,014	181
Total without donor restrictions	1,399,358	2,151	3,735	1,759	3,014	181
With donor restrictions:						
Restricted by purpose and time	53,171	75	22	7	165	231
Perpetual in nature	95,040	—	240	—	—	—
Total with donor restrictions	148,211	75	262	7	165	231
Total net assets	1,547,569	2,226	3,997	1,766	3,179	412
Total liabilities and net assets	\$ 1,726,629	2,814	4,094	1,987	4,235	2,781

See accompanying independent auditors' report.

Boys Town New England Inc.	Boys Town Washington, DC Inc.	Nebraska Families Collaborative	Eliminations	Boys Town and program- related affiliates
38	21	211	—	10,858
376	823	6	(208)	40,918
564	95	—	—	21,413
—	36	—	—	404,878
—	—	—	—	87,872
—	—	—	(26,036)	—
—	—	—	—	978,844
4,417	9,962	—	—	188,062
<u>5,395</u>	<u>10,937</u>	<u>217</u>	<u>(26,244)</u>	<u>1,732,845</u>
45	16	226	(208)	22,310
570	12	—	—	49,005
1,225	—	—	—	100,001
—	—	—	—	13,961
<u>1,840</u>	<u>28</u>	<u>226</u>	<u>(208)</u>	<u>185,277</u>
—	—	—	—	1,055,501
3,555	10,782	(9)	(25,169)	343,856
<u>3,555</u>	<u>10,782</u>	<u>(9)</u>	<u>(25,169)</u>	<u>1,399,357</u>
—	117	—	(617)	53,171
—	10	—	(250)	95,040
—	127	—	(867)	148,211
3,555	10,909	(9)	(26,036)	1,547,568
<u>5,395</u>	<u>10,937</u>	<u>217</u>	<u>(26,244)</u>	<u>1,732,845</u>

See accompanying independent auditors' report.

Consolidated Schedules of Activities

Year Ended December 31, 2020

(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	\$ 159,134	444	861	3,540	457	238
Legacies and bequests	8,789	—	820	—	—	—
Program service revenue	173,629	3,121	1,377	1,678	2,714	4,030
Other revenue	45,920	23	6	6	71	30
Investment return, net	27,196	1	188	—	—	—
Net assets released from restrictions	4,883	7	194	3	124	167
Total revenue, gains, and other support	419,551	3,596	3,446	5,227	3,366	4,465
Expenses:						
Program services	317,150	5,458	4,126	7,319	5,846	6,338
Supporting services	59,714	1,064	896	910	1,007	1,019
Total expenses	376,864	6,522	5,022	8,229	6,853	7,357
Revenue, gains, and other support under expenses	42,687	(2,926)	(1,576)	(3,002)	(3,487)	(2,892)
Change in net assets of Father Flanagan's Fund for Needy Children	43,326	—	—	—	—	—
Change in net assets affiliates	(1,025)	—	—	—	—	—
Support from Father Flanagan's Home	(18,955)	2,766	1,724	2,798	3,299	2,601
Support from Father Flanagan's Fund for Needy Children	46,560	—	—	—	—	—
Actuarial loss on annuity trust obligations	(484)	—	—	—	—	—
Pension-related changes other than service cost	(15,914)	—	—	—	—	—
Increase (decrease) in net assets without donor restriction	96,195	(160)	148	(204)	(188)	(291)
With donor restriction:						
Contributions	3,299	6	—	—	165	231
Legacies and bequests	—	—	—	—	—	—
Investment return, net	5,510	5	—	—	—	—
Change in value of beneficial interest in trust assets	7,705	—	—	—	—	—
Net assets released from restrictions	(4,883)	(7)	(194)	(3)	(124)	(167)
Increase (decrease) in net assets with donor restriction	11,631	4	(194)	(3)	41	64
Net assets, beginning of year	1,439,743	2,382	4,043	1,973	3,326	639
Net assets, end of year	\$ 1,547,569	2,226	3,997	1,766	3,179	412

Boys Town New England Inc.	Boys Town Washington, DC Inc.	Nebraska Families Collaborative	Eliminations	Boys Town and program- related affiliates
375	887	—	(1)	165,935
—	3	—	—	9,612
4,583	2,123	1,063	—	194,318
206	4	41	(58)	46,249
—	—	5	—	27,390
111	—	24	—	5,513
<u>5,275</u>	<u>3,017</u>	<u>1,133</u>	<u>(59)</u>	<u>449,017</u>
7,407	4,620	163	(59)	358,368
1,073	1,380	766	—	67,829
<u>8,480</u>	<u>6,000</u>	<u>929</u>	<u>(59)</u>	<u>426,197</u>
(3,205)	(2,983)	204	—	22,820
—	—	—	—	43,326
—	—	—	1,025	—
3,161	2,606	—	—	—
—	—	—	—	46,560
—	—	—	—	(484)
—	—	—	—	(15,914)
<u>(44)</u>	<u>(377)</u>	<u>204</u>	<u>1,025</u>	<u>96,308</u>
—	106	—	—	3,807
—	—	—	—	—
—	3	—	—	5,518
—	—	—	—	7,705
<u>(111)</u>	<u>—</u>	<u>(24)</u>	<u>—</u>	<u>(5,513)</u>
(111)	109	(24)	—	11,517
<u>3,710</u>	<u>11,177</u>	<u>(189)</u>	<u>(27,061)</u>	<u>1,439,743</u>
<u>3,555</u>	<u>10,909</u>	<u>(9)</u>	<u>(26,036)</u>	<u>1,547,568</u>

See accompanying independent auditors' report.



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NATIONAL HEADQUARTERS

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