Boys' Home, Incorporated

Financial Statements

Year Ended June 30, 2015

DIXON HUGHES GOODMAN LLP

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Independent Auditors' Report

Board of Trustees
Boys' Home, Incorporated
Covington, Virginia

We have audited the accompanying financial statements of Boys' Home, Incorporated (a non-profit organization), which comprise the statement of financial position as of June 30, 2015, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys' Home, Incorporated as of June 30, 2015, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

DIXON HUGHES GOODMAN LLP

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Dixon Hughes Goodman LLP

Chester, Virginia
April 25, 2016

Boys' Home, Incorporated

Statement of Financial Position

June 30, 2015

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Boys' Home, Incorporated
Statement of Financial Position
June 30, 2015

ASSETS		
Current assets:		
Cash	$	201,315
Accounts receivable		8,721
Prepaid expenses		23,738
Pledges receivable, current		85,908
Beneficial Interest in trusts, current		351,116
Total current assets		670,798
Non-current assets:		
Accounts receivable, boys' loans		1,020
Beneficial interest in trusts, non current		8,315,022
Investments		27,855,390
Other investments		67,043
Cash, permanently restricted		6,006
Pledges receivable, non current		126,826
Property and equipment, net		4,215,914
Total non-current assets		40,587,221
Total assets	$	41,258,019

See accompanying notes.

LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	$ 84,586
Accrued expenses	89,709
Total current liabilities	174,295
Net assets:	
Unrestricted:	
Undesignated	19,643
Board designated for:	
Long-term investment	24,469,875
Other	37,550
Fixed assets	4,043,864
Total unrestricted net assets	28,570,932
Temporarily resticted	8,900,232
Permanently resticted	3,612,560
Total net assets	41,083,724
Total liabilities and net assets	$ 41,258,019

Boys' Home, Incorporated
Statement of Activities
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions	$ 898,886	$ 222,528	$ 21,578	$ 1,142,992
Tuition, net of scholarship expense	37,821	-	-	37,821
Interest and dividends, net of fees	798,873	451	-	799,324
Special events	19,268	-	-	19,268
School lunches	37,564	-	-	37,564
Other income	22,082	-	-	22,082
Net loss on investments - realized and unrealized	(724,704)	-	-	(724,704)
Bequests	15,282	-	-	15,282
Increase in value of funds held in trust by others	-	2,056,019	-	2,056,019
Satisfaction of program restrictions	527,978	(527,978)	-	-
Total support and revenue	1,633,050	1,751,020	21,578	3,405,648
Expenses:				
Program services	2,570,815	-	-	2,570,815
General and administrative	634,135	-	-	634,135
Fundraising	264,450	-	-	264,450
Total expenses	3,469,400	-	-	3,469,400
Change in net assets	(1,836,350)	1,751,020	21,578	(63,752)
Net assets, beginning of year	30,407,282	7,149,212	3,590,982	41,147,476
Net assets, end of year	$ 28,570,932	$ 8,900,232	$ 3,612,560	$ 41,083,724

See accompanying notes.

Boys' Home, Incorporated
Statement of Cash Flows
Year Ended June 30, 2015

Cash flows from operating activities:	
Change in net assets	$ (63,752)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	196,866
Realized loss on investments	188,302
Unrealized loss on investments	536,402
Increase in value of funds held in trust by others	(2,056,019)
Cash received from trust agreements	375,878
Change in assets and liabilities:	
Accounts receivable	1,738
Pledges receivable	(70,428)
Prepaid expenses	(23,738)
Accounts receivable, boys' loans	(57)
Accounts payable	84,586
Accrued expenses	2,129
Net assets restricted by permanent investment	(21,578)
Net cash used by operating activities	(849,671)
Cash flows from investing activities:	
Proceeds from sale of investments	2,615,335
Purchases of investments	(909,377)
Purchases of property and equipment	(813,545)
Net cash provided by investing activities	892,413
Cash flows from financing activities:	
Net assets restricted for permanent investment	21,578
Net increase in cash and cash equivalents	64,320
Cash and cash equivalents, beginning of year	136,995
Cash and cash equivalents, end of year	$ 201,315

See accompanying notes.

Notes to Financial Statements

1. Organization and Nature of Activities

Boys' Home, Inc. (the Organization) is a non-profit corporation organized under the laws of the Commonwealth of Virginia to provide a spiritual and educational environment for boys in need of shelter and guidance. The Organization is supported primarily through donor contributions and investment income.

2. Summary of Significant Accounting Policies

Financial statement presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted - All resources over which the governing board has discretionary control. The governing board of the Organization may elect to designate such resources for specific purposes. This designation may be removed at the board's discretion.

Temporarily Restricted - Resources accumulated through donations or grants for specific operating or capital purposes. Such resources will become unrestricted when the requirements of the donor or grantee have been satisfied through expenditure for the specified purpose or program or through the passage of time.

Permanently Restricted - Endowment resources accumulated through donations or grants that are subject to the restriction in perpetuity that the principal be invested. Investment income may be either an unrestricted or temporarily restricted resource when earned, determined according to the gift instruments.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Promises to give are reported at the present value of their net realizable value, using a discount rate of 2.2%

Cash and cash equivalents

The Organization considers all cash and cash equivalents to be cash available for operations on a daily basis. Treasury securities and money market funds are included with investments.

Accounts receivable

Receivables are reported at their face value. The allowance is based on management's estimate of the amount of receivables that will actually be collected. As of June 30, 2015, no allowance was considered necessary.

Pledges receivable

Pledges receivable are stated at present value, net of a 2.2% discount. Substantially all of these receivables are considered collectible and, accordingly, no allowance for doubtful accounts is considered necessary.

Investments

Investments in securities are carried at fair value. The fair value of hedge funds and private equity interests are determined in good faith by external investment managers or other independent sources and reviewed by management. Because these alternative investments are not readily marketable, their estimated value is subject to additional uncertainty and therefore, value realized upon disposition may vary significantly from currently reported values.

Investment securities are exposed to several risks, such as interest rate, currency, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the Organization's financial statements.

Beneficial interest in trusts
The Organization is the recipient/beneficiary of several irrevocable trust arrangements which are held by others. The related income from these arrangements is recognized as temporarily restricted until the cash is received, at which time it is reclassified as unrestricted. The recorded value of the stream of future revenue associated with these trusts is required to be measured using the present value of future cash receipts. The market value of the pro rata ownership portion of the trusts' assets and/or the annual amount received currently from the trusts is used as a basis and then discounted to present value using a rate of 2.2% to arrive at an approximation of the present value of the future receipts.

Property and equipment
It is the Organization's policy to capitalize property and equipment in excess of $750. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method.

Buildings	5 - 40 years
Land improvements	5 - 20 years
Equipment	5 - 15 years
Furniture and fixtures	5 - 10 years
Automobiles and trucks	5 years

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

Income taxes
The Organization is exempt from income taxes under 50l(c)(3) of the Internal Revenue Code and the tax statutes of the Commonwealth of Virginia; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a “private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Concentrations
The Organization maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. There were no uninsured cash deposits at June 30, 2015.

Subsequent events
In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition and disclosure through April 25, 2016, the date the financial statements were available to be issued.

3. Pledges Receivable

Unconditional pledges receivable consisted of the following as of June 30, 2015:

Receivable in one to five years:		
Capital	$	85,908
Other		134,092
		220,000
Fair value discount of 2.2%		(7,266)
Pledges receivable, net	$	212,734

4. Investments

Investments at June 30, 2015 are comprised of the following:

Cash	$	1,829,426
Mutual funds and other equities		17,156,085
Fixed income		720,884
Partnerships and investment trusts		1,000,000
Equity alternatives		7,148,995
	$	27,855,390

Boys' Home paid approximately $108,578 in investment fees to various financial institutions for the year ended June 30, 2015. This amount is included in interest and dividends on the Statement of Activities.

5. Fair Value Measurements

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

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

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodology used during 2015. The method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2015.

Fair value of assets measured on a recurring basis at June 30, 2015 are as follows:

Description	Level 1	Level 2	Level 3	Total
Investments	$ 19,711,308	$ 4,715,186	$ 3,428,896	$ 27,855,390
Beneficial interest in trusts	-	-	8,666,138	8,666,138
Pledges receivable	-	-	212,734	212,734
	$ 19,711,308	$ 4,715,186	$ 12,307,768	$ 36,734,262

The Organization recognizes transfers into and out of Levels 1 and 2 at the end of the reporting periods. Transfers from Level 1 to Level 2 were $1,000,000 and transfers from Level 1 to Level 3 were $900,000 during the year ended June 30, 2015.

The change in assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) for the year ending June 30, 2015 are as follows:

Investments:	
Beginning balance, July 1, 2014	$ 2,584,098
Realized gain on investments	67,625
Sales, net	(122,827)
Transfers from Level 1	900,000
Ending balance, June 30, 2015	$ 3,428,896
Beneficial interest in trusts:	
Beginning balance, July 1, 2014	$ 6,985,997
Cash received from trusts	(375,878)
Change in value of split interest agreements	2,056,019
Ending balance, June 30, 2015	$ 8,666,138

Pledges receivable:		
Beginning balance, July 1, 2014	$	142,306
Pledges received		214,028
Pledge payments received		(136,334)
Ending balance, June 30, 2015	$	220,000

6. Property and Equipment

Buildings	$	7,326,600
Land improvements		839,450
Fixed equipment		157,283
Furniture and fixtures		56,275
Automobiles and trucks		250,226
		8,629,834
Accumulated depreciation		(4,682,136)
		3,947,698
Land		268,216
	$	4,215,914

Depreciation expense for 2015 was $196,866.

7. Accrued Expenses

Accrued expenses at June 30, 2015 consist of the following:

Accrued payroll	$	28,387
Accrued vacation pay		39,235
Boys' personal money		22,087
	$	89,709

8. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 consist of the following:

Trusts receivable	$	8,666,138
Pledges		212,734
Other		18,055
College expenses		3,305
	$	8,900,232

9. Permanently Restricted Net Assets

Permanently restricted net assets are classified based on the restricted purposes at June 30, 2015:

Farm operations	$	3,105,271
Scholarships		507,289
	$	3,612,560

10. Endowments

The Organization's endowments consist of individual funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law
The Board of Trustees of Boys' Home, Inc. has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Return objectives and risk parameters
The Organization 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 seeking flexibility to meet unanticipated demands and changing environments. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce an absolute return equal to the rate of inflation, measured by the CPI plus 5% annually (over a rolling three year time horizon). Actual returns in any given year may vary.

Strategies employed for achieving objectives
To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current year (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equities investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy

The Organization has a policy of drawing 5% annually based on three year average of ending endowment balance. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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 SPMIFA requires the organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are to be reported in unrestricted net assets. These deficiencies result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that are deemed prudent by the Board of Trustees. There were no such deficiencies as of June 30, 2015.

Net Asset Composition by Type of Endowment Fund as of June 30, 2015:

	Unrestricted	Permanently Restricted	Total
Donor-restricted endowments funds	$ -	$ 3,612,560	$ 3,612,560
Board-designated endowment funds	24,469,875	-	24,469,875
Total Funds	$ 24,469,875	$ 3,612,560	$ 28,082,435

Changes in Endowment net assets for year ending June 30, 2015:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 26,922,116	$ 3,590,982	$ 30,513,098
Investment return:			
Interest and dividends	879,894	-	879,894
Realized losses	(188,302)	-	(188,302)
Unrealized losses	(536,402)	-	(536,402)
Fees	(108,578)	-	(108,578)
Withdrawals and transfers out	(2,498,853)	-	(2,498,853)
Contributions and transfers in	-	21,578	21,578
Total Funds	$ 24,469,875	$ 3,612,560	$ 28,082,435

11. Boys' Support

The normal daily billing rate for all residents is $20.00. A Scholarship Fund expense account is charged with monthly support of privately placed boys whose families cannot pay.

The following is a schedule of boys' support for the year ended June 30, 2015:

Gross tuition	$	535,778
Scholarships		(497,957)
Net Tuition Received	$	37,821

12. Functional Allocation of Expenses:

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

13. Rental Income

The Organization leases approximately eight acres of land to Alleghany Asphalt & Construction, Inc. under an operating lease with a term of fifty years, expiring December 31, 2053. Minimum annual rent on the land is $9,000 per year. In addition to the annual minimum rent, the lessee agrees to pay an additional "royalty" rent of fifty cents per ton for every ton of asphalt in excess of 15,000 tons produced and sold.

Minimum future rentals at June 30 are as follows:

Year Ended		Amount
2016	$	9,000
2017		9,000
2018		9,000
2019		9,000
2020		9,000
Thereafter		310,500
	$	355,500

Boys' Home, Incorporated

Supplementary Information

Year Ended June 30, 2015

Boys' Home, Incorporated
Schedule of Functional Expenses
Year Ended June 30, 2015

	Program Services	General and Administrative	Fund Raising	Total
Salaries:				
Administrative	$ 67,585	$ 44,606	$ 22,979	$ 135,169
Professional staff	591,712	-	-	591,712
Support staff	16,451	297,365	134,790	448,606
Technical	347,114	-	-	347,114
Employee fringe benefits	213,059	68,931	31,332	313,322
FICA taxes	75,188	24,326	11,057	110,571
Depreciation	196,866	-	-	196,866
Development	23,801	-	64,292	88,093
Professional fees	-	17,950	-	17,950
Food and beverages	345,079	-	-	345,079
Other purchased services	188,361	-	-	188,361
Office and computer expense	-	73,166	-	73,166
Subscriptions and dues	278	1,492	-	1,770
Educational vocational training	29,968	-	-	29,968
Staff training	-	13,087	-	13,087
Boys and personal expenses	37,948	-	-	37,948
College boys' fees	9,983	-	-	9,983
Psychological	15,016	-	-	15,016
Special projects	17,020	-	-	17,020
Farm expenses	33,782	-	-	33,782
Equipment and vechicle maintenance	65,968	-	-	65,968
Building and grounds maintenance	78,197	-	-	78,197
Household furnishings and supplies	6,893	-	-	6,893
Insurance	44,195	-	-	44,195
Telephone	-	25,386	-	25,386
Utilities	123,912	60,759	-	184,671
Miscellaneous	42,439	7,068	-	49,507
	$ 2,570,815	$ 634,135	$ 264,450	$ 3,469,400
Percentages	74%	18%	8%	100%