

**Boys and Girls Republic, Inc.**

Financial Statements

June 30, 2016



## Independent Auditors' Report

### Board of Directors Boys and Girls Republic, Inc.

We have audited the accompanying financial statements of Boys and Girls Republic, Inc., which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### Managements' 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.

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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Republic, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

The financial statements of Boys and Girls Republic, Inc. as of June 30, 2015, were audited by other auditors whose report dated January 28, 2016, expressed an unmodified opinion on those statements.

*PKF O'Connor Davies, LLP*

February 28, 2017

**Boys and Girls Republic, Inc.**

Statement of Financial Position  
June 30, 2016

(with comparative amounts at June 30, 2015)

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash	\$ 332,972	\$ 332,909
Investments (Note 3)	1,970,063	2,139,028
Due from contracting agencies	338,618	29,081
Due from Henry Street Settlement	-	109,278
Prepaid expenses	27,388	3,850
Fixed assets, net (Note 4)	<u>209,589</u>	<u>238,525</u>
	<u>\$ 2,878,630</u>	<u>\$ 2,852,671</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 11,305	\$ 2,961
Refundable advances	-	11,031
Due to Henry Street Settlement	<u>173,964</u>	<u>-</u>
Total Liabilities	<u>185,269</u>	<u>13,992</u>
 Net assets		
Unrestricted	215,576	238,525
Temporarily restricted (Note 7)	666,069	788,438
Permanently restricted (Note 8)	<u>1,811,716</u>	<u>1,811,716</u>
Total Net Assets	<u>2,693,361</u>	<u>2,838,679</u>
	<u>\$ 2,878,630</u>	<u>\$ 2,852,671</u>

See notes to financial statements

## Boys and Girls Republic, Inc.

### Statement of Activities Year Ended June 30, 2016 (with summarized totals for the year ended June 30, 2015)

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total	
	Operating Fund	Plant Fund	Total			2016	2015
<b>REVENUE, GAINS AND OTHER SUPPORT</b>							
Contributions	\$ 19,050	\$ -	\$ 19,050	\$ 306,849	\$ -	\$ 325,899	\$ 269,273
Grants and fees from contracting agencies	597,893	-	597,893	-	-	597,893	284,638
Grant from Henry Street Settlement	12,000	-	12,000	-	-	12,000	92,729
Program service fees	-	-	-	-	-	-	120
Realized gain on investments	-	-	-	22,690	-	22,690	67,788
Unrealized loss on investments	-	-	-	(110,723)	-	(110,723)	(35,831)
Interest and dividends	62	-	62	44,595	-	44,657	35,759
Donated occupancy (Note 5)	208,000	-	208,000	-	-	208,000	221,000
Rental income	10,290	-	10,290	-	-	10,290	20,960
Insurance recovery	-	-	-	-	-	-	32,724
Other income	1,307	-	1,307	-	-	1,307	-
Net assets released from restrictions (Note 7)	385,780	-	385,780	(385,780)	-	-	-
						-	-
Total Revenue, Gains and Other Support	<u>1,234,382</u>	<u>-</u>	<u>1,234,382</u>	<u>(122,369)</u>	<u>-</u>	<u>1,112,013</u>	<u>989,160</u>
<b>EXPENSES</b>							
Program services-Youth programs	1,152,525	26,424	1,178,949	-	-	1,178,949	958,780
Management and general	78,382	-	78,382	-	-	78,382	75,386
Total Expenses	<u>1,230,907</u>	<u>26,424</u>	<u>1,257,331</u>	<u>-</u>	<u>-</u>	<u>1,257,331</u>	<u>1,034,166</u>
Change in net assets	3,475	(26,424)	(22,949)	(122,369)	-	(145,318)	(45,006)
<b>NET ASSETS</b>							
Beginning of year	-	238,525	238,525	788,438	1,811,716	2,838,679	2,883,685
End of year	<u>\$ 3,475</u>	<u>\$ 212,101</u>	<u>\$ 215,576</u>	<u>\$ 666,069</u>	<u>\$ 1,811,716</u>	<u>\$ 2,693,361</u>	<u>\$ 2,838,679</u>

See notes to financial statements

## Boys and Girls Republic, Inc.

### Statement of Functional Expenses Year Ended June 30, 2016 (with summarized totals for the year ended June 30, 2015)

	Program Services	Management and General	Total	
			2016	2015
Salaries	\$ 469,053	\$ 46,628	\$ 515,681	\$ 370,663
Payroll taxes and employee benefits	153,146	9,978	163,124	123,024
Total salaries and related expenses	622,199	56,606	678,805	493,687
Professional fees and contract service payments	143,938	8,777	152,715	83,747
Supplies	55,243	1,807	57,050	34,262
Telephone	14,549	3,707	18,256	17,096
Postage and shipping	1,489	1,446	2,935	2,882
Occupancy	293,850	425	294,275	326,240
Equipment rental and maintenance	4,111	1,244	5,355	26,380
Transportation	9,143	465	9,608	8,708
Insurance	-	324	324	309
Bank charges and custodial fees	1,744	2,016	3,760	3,301
Food	4,042	985	5,027	1,416
Membership fees and conferences	2,217	186	2,403	2,802
Depreciation	26,424	-	26,424	32,959
Miscellaneous	-	394	394	377
	<u>\$ 1,178,949</u>	<u>\$ 78,382</u>	<u>\$ 1,257,331</u>	<u>\$ 1,034,166</u>

See notes to financial statements

## Boys and Girls Republic, Inc.

### Statement of Cash Flows Year Ended June 30, 2016 (with comparative amounts for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (145,318)	\$ (45,006)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	26,424	32,959
Disposal of fixed assets	2,512	-
Realized gain on investments	(22,690)	(67,788)
Unrealized loss on investments	110,723	35,831
Changes in operating assets and liabilities		
Due from contracting agencies	(309,537)	31,291
Due to (from) Henry Street Settlement	283,242	(17,778)
Deposits, prepaid expenses and other assets	(23,538)	(3,156)
Accounts payable and accrued expenses	8,344	(7,539)
Refundable advances	<u>(11,031)</u>	<u>5,733</u>
Net Cash from Operating Activities	<u>(80,869)</u>	<u>(35,453)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(457,724)	(485,292)
Proceeds from the sale of investments	<u>538,656</u>	<u>520,710</u>
Net Cash from Investing Activities	<u>80,932</u>	<u>(23,441)</u>
Net Change in Cash	63	(58,894)
<b>CASH</b>		
Beginning of year	<u>332,909</u>	<u>332,944</u>
End of year	<u>\$ 332,972</u>	<u>\$ 274,050</u>

See notes to financial statements

## **Boys and Girls Republic, Inc.**

Notes to Financial Statements  
June 30, 2016 and 2015

### **1. Organization and Taxation**

Boys and Girls Republic, Inc. (“BGR”) operates programs devoted to teaching the principles of self-government to young boys and girls. The programs include the city clubhouse, which provides comprehensive athletic, recreational and educational supportive programming, correlated with extensive intra-community activity. BGR is funded primarily by contributions, grants and fees from contracting agencies, and a grant from Henry Street Settlement.

BGR is a membership corporation. Henry Street Settlement (the “Settlement”) is the sole member and appoints the Board of Directors of the corporation. The Settlement is a nonprofit organization exempt from federal income tax under Internal Revenue Service Code Section 501(c)(3). The Settlement receives cash and expends funds on behalf of BGR. Administrative overhead costs are allocated from the Settlement.

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

### **2. Summary of Significant Accounting Policies**

#### ***Basis of Presentation and Use of Estimates***

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Resources are classified for accounting and reporting purposes into net asset classes according to donor imposed restrictions. Unrestricted net assets are those whose use is not subject to any donor imposed restrictions. Temporarily restricted net assets are those resulting from contributions and other inflows of assets whose use by BGR is limited by donor imposed stipulations that will be met either by passage of time or that can be fulfilled and removed by actions of BGR pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets are donor restricted gifts that must be maintained permanently by BGR to provide present and future income for operations.



## **Boys and Girls Republic, Inc.**

Notes to Financial Statements  
June 30, 2016 and 2015

### **2. Summary of Significant Accounting Policies (*continued*)**

#### ***Summarized Financial Information***

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with BGR's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

#### ***Fair Value Measurements***

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

BGR follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

During 2016, BGR adopted new U.S. GAAP guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient. Adoption of this guidance was applied retrospectively and had no effect on the carrying value of such investments.

Pursuant to U.S. GAAP guidance, alternative investments where fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient is not categorized within the fair value hierarchy.

#### ***Investments Valuation***

Investments are carried at fair value.

## **Boys and Girls Republic, Inc.**

Notes to Financial Statements  
June 30, 2016 and 2015

### **2. Summary of Significant Accounting Policies (*continued*)**

#### ***Investment Income Recognition***

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

#### ***Investments Risks and Uncertainties***

Alternative Investments consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, venture capital funds, hedge funds, private equity funds and common trust funds. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

Investments are carried at fair value. Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

#### ***Due from Contracting Agencies and Allowance for Doubtful Accounts***

BGR records revenue and receivables for grants from contracting agencies based on claims for expense reimbursements and program utilization at contracted rates. Receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year end. Management has determined that an allowance was not required as of June 30, 2016. Interest is not accrued or recorded on outstanding accounts receivable.

#### ***Fixed Assets***

BGR capitalizes all expenditures for its fixed assets in excess of \$5,000 and a useful life of more than one year. Maintenance and repairs of a routine nature are charged to expense, while those that extend the life of existing assets are capitalized. Depreciation is provided over the estimated useful lives of each class of depreciable asset and is computed using the straight-line method. The estimated lives by asset class are as follows:

## Boys and Girls Republic, Inc.

Notes to Financial Statements  
June 30, 2016 and 2015

### 2. Summary of Significant Accounting Policies *(continued)*

#### *Fixed Assets (continued)*

Building	10-40 years
Furniture and equipment	10-20 years

#### *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. BGR records impairment losses on long lived assets used in operations when the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. No impairment charges were recognized during the years ended June 30, 2016 and 2015.

#### *Asset Retirement Obligations*

BGR accounts for Asset Retirement Obligations (“ARO”) in accordance with U.S. GAAP, which defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation does not defer recognition of a liability. The fair value of the ARO is recorded on a discounted basis and accreted over time for the change in fair value. Management has determined that there are no ARO liabilities that are required to be recorded.

#### *Refundable Advances*

Refundable advances consist of unspent cash receipts from contracting agencies as well as the cumulative excess of allowable program revenues over allowable program expenses.

#### *Grants and Fees from Contracting Agencies*

BGR receives funding for many of its programs through contracts principally entered into with New York State and New York City. Certain governmental revenues are recorded based on estimated expenditures incurred and are subject to audit and adjustment by regulatory agencies. Third-party reimbursement adjustments are recorded when reasonably determinable. Revenues from fee-for-service and reimbursement contracts with New York State and New York City are recorded at rates established by the governmental payors. Revenues are recorded based on estimated allowable costs and are subject to audit and adjustment by governmental payors. The effects of such adjustments are recorded when reasonably determinable.

## **Boys and Girls Republic, Inc.**

Notes to Financial Statements  
June 30, 2016 and 2015

### **2. Summary of Significant Accounting Policies (*continued*)**

#### ***Contributions***

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

#### ***Donated Occupancy***

BGR records various types of in-kind support, including rent. Contributions of donated rent are recognized at fair value. The amounts reflected in the accompanying financial statements as donated occupancy are offset by like amounts included in expenses.

#### ***Rentals***

All leases are operating leases and are reflected on the straight-line basis. Deferred rent is recorded when material.

#### ***Functional Allocation of Expenses***

The costs of providing BGR's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### ***Accounting for Uncertainty in Income Taxes***

BGR recognizes the effect of tax positions only when they are more likely than not to be sustained. Management has determined that BGR had no uncertain tax positions that would require financial statement recognition or disclosure. BGR is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to June 30, 2013.

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is February 28, 2017.

## Boys and Girls Republic, Inc.

### Notes to Financial Statements June 30, 2016 and 2015

#### 3. Investments

The following are major categories of investments measured at fair value on a recurring basis at June 30, 2016 and 2015, grouped by the fair value hierarchy, for those investments subject to categorization within such hierarchy:

	June 30, 2016		June 30, 2015	
	Level 1	Total	Level 1	Total
Short-term investments	\$ 100,556	\$ 100,556	\$ 43,886	\$ 43,886
Common and preferred stock				
U.S. large cap equity	274,388	274,388	368,557	368,557
U.S. mid cap equity	89,162	89,162	143,153	143,153
U.S. small cap equity	19,827	19,827	19,243	19,243
International equity	370,030	370,030	441,608	441,608
	<u>753,407</u>	<u>753,407</u>	<u>972,561</u>	<u>972,561</u>
Corporate obligations	<u>406,412</u>	<u>406,412</u>	<u>296,372</u>	<u>296,372</u>
Mutual funds				
Intermediate-term bonds	8,278	8,278	7,877	7,877
Large cap-blend	4,348	4,348	4,481	4,481
Large cap-growth	15,150	15,150	16,582	16,582
Large cap-value	22,707	22,707	21,953	21,953
Medium cap-growth	33,508	33,508	36,404	36,404
Medium cap-value	19,924	19,924	20,763	20,763
Small cap-value	2,874	2,874	3,002	3,002
Real estate and commodities	130,487	130,487	150,715	150,715
	<u>237,276</u>	<u>237,276</u>	<u>261,777</u>	<u>261,777</u>
Exchange-traded funds	<u>17,341</u>	<u>17,341</u>	<u>18,176</u>	<u>18,176</u>
Investment in limited partnerships (1)	-	455,071	-	546,256
	<u>\$ 1,514,992</u>	<u>\$ 1,970,063</u>	<u>\$ 1,592,772</u>	<u>\$ 2,139,028</u>

(1) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy. The fair value amounts presented in the total column of this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

There were no transfers between level 1 and 2 of the fair value hierarchy during 2016 and 2015.

## Boys and Girls Republic, Inc.

Notes to Financial Statements  
June 30, 2016 and 2015

### 3. Investments *(continued)*

Information regarding alternative investments measured at NAV using the practical expedient at June 30, 2016 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity long/short hedge funds (a)	\$ 343,260	\$ -	varies	7-70 days
Private equity (b)	111,811	101,612	10-11 years	N/A
	\$ 455,071	\$ 101,612		

- (a) This category includes investments in hedge funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. Investments representing approximately 19 percent of the value of the investments in this category cannot be redeemed because the investments include restrictions that do not allow for redemption in the first 12 to 18 months after acquisition. The remaining restriction period for these investments ranged from 7 to 70 days at June 30, 2016.
- (b) This category includes several private equity funds that invest primarily in foreign technology companies. These investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund. Management has estimated that the underlying assets of the fund will be liquidated over 10 to 11 years.

At June 30, 2016, two individual investments represented 19% and 6% of total investments.

### 4. Fixed Assets

The components of fixed assets, including accumulated depreciation, are as follows at June 30:

	2016	2015
Building and building improvements	\$ 592,636	\$ 592,636
Furniture and equipment	234,343	236,855
	826,979	829,491
Accumulated depreciation	(617,390)	(590,966)
	\$ 209,589	\$ 238,525

## Boys and Girls Republic, Inc.

Notes to Financial Statements  
June 30, 2016 and 2015

### 5. Donated Occupancy

The BGR clubhouse is located at 888 East 6th Street, New York, New York in a building provided by the City of New York without a rental charge. In accordance U.S. GAAP, the value of donated occupancy of \$208,000 and \$221,000 in 2016 and 2015 is included in donated occupancy and occupancy expense to reflect the estimated fair value.

### 6. Concentrations

Financial instruments which potentially subject the organization to a concentration of credit risk are cash accounts with a financial institution in excess of FDIC insurance limits.

### 7. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, were available for the following purpose:

	<u>2016</u>	<u>2015</u>
Youth programs	<u>\$ 666,069</u>	<u>\$ 788,438</u>

Net assets were released from donor restrictions by satisfying the purpose or time restrictions for years ended June 30, as follows:

	<u>2016</u>	<u>2015</u>
Youth programs		
Program restrictions	\$ 286,920	\$ 269,815
Income distribution	98,860	79,083
	<u>\$ 385,780</u>	<u>\$ 348,898</u>

### 8. Endowment Fund

#### *General*

BGR's permanently restricted net assets consist of 3 endowment fund assets to be held in perpetuity. The income from the assets can be used to support the youth programs.

## **Boys and Girls Republic, Inc.**

Notes to Financial Statements  
June 30, 2016 and 2015

### **8. Endowment Fund (continued)**

#### ***Interpretation of Law***

The Board of Directors of BGR has adopted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). NYPMIFA moves away from the "historic dollar value" standard, and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. BGR is now governed by the NYPMIFA spending policy, which establishes a standard maximum prudent spending

limit of 7% of the average of its previous five years' balance. As a result of this interpretation, BGR classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by BGR in a manner consistent with the standards of prudence prescribed by NYPMIFA.

#### ***Return Objectives and Strategies Employed***

The objective of BGR is to maintain the principal endowment funds at the original amount designated by the donor. The investment policy to achieve this objective is to invest in low-risk securities. Interest earned in relation to the endowment funds is recorded as temporarily restricted income and released from restriction upon expenditure for the program for which the endowment fund was established.

#### ***Funds with Deficiencies***

BGR does not have any funds with deficiencies.

#### ***Spending Policy***

The Board of Directors, in compliance with the applicable state regulations, will appropriate as much of net appreciation as is prudent considering BGR's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions. Under the BGR's spending policy, the adjusted average market value of certain investments measured at March 31 of each of the three immediately preBoysceding years is made available on each July 1 to support current operations of the BGR and certain non-operating activities as designated by the Board of Directors.



## Boys and Girls Republic, Inc.

Notes to Financial Statements  
June 30, 2016 and 2015

### 8. Endowment Fund

The following is a reconciliation of the activity in the donor restricted endowment funds portion of the investment portfolio for the years ended June 30, 2016 and 2015:

	Temporarily Restricted	Permanently Restricted	Total
Balance, June 30, 2014	\$ 665,797	\$ 1,811,716	\$ 2,477,513
Interest and dividends	35,697	-	35,697
Investment gain, net	31,957	-	31,957
Appropriation for expenditure	<u>(79,083)</u>	<u>-</u>	<u>(79,083)</u>
Balance, June 30, 2015	654,368	1,811,716	2,466,084
Interest and dividends	44,595	-	44,595
Investment loss, net	(88,033)	-	(88,033)
Appropriation for expenditure	<u>(98,860)</u>	<u>-</u>	<u>(98,860)</u>
Balance, June 30, 2016	<u>\$ 512,070</u>	<u>\$ 1,811,716</u>	<u>\$ 2,323,786</u>

### 9. Pension Expense

BGR provides a 403(b) defined-contribution plan and contributes 5% of base salary for eligible employees. Pension expense for the years ended June 30, 2016 and 2015 was \$28,099 and \$14,452.

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