

**BOYS' TOWNS OF ITALY, INC.
D/B/A
A CHANCE IN LIFE**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

DECEMBER 31, 2015 AND 2014

**BOYS' TOWNS OF ITALY, INC.
D/B/A
A CHANCE IN LIFE**

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**The Board of Directors
Boys' Towns of Italy, Inc.
d/b/a A Chance in Life**

Report on the Financial Statements

We have audited the accompanying financial statements of Boys' Towns of Italy, Inc. d/b/a A Chance in Life, which comprise the balance sheet as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's 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' Towns of Italy, Inc. d/b/a A Chance in Life as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Loeb & Troper LLP

September 20, 2016

BOYS' TOWNS OF ITALY, INC.
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BALANCE SHEET

DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 769,546	\$ 228,846
Investments (Note 3)	1,566,425	1,105,714
Prepaid expenses and other assets	55,083	29,649
Office equipment and furniture (net of accumulated depreciation of \$35,928 in 2015 and \$34,972 in 2014)	<u>834</u>	<u>1,790</u>
Total assets	<u>\$ 2,391,888</u>	<u>\$ 1,365,999</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 44,511</u>	<u>\$ 39,016</u>
Net assets (Exhibit B)		
Unrestricted	2,299,877	1,326,983
Temporarily restricted (Note 6)	<u>47,500</u>	<u>-</u>
Total net assets	<u>2,347,377</u>	<u>1,326,983</u>
Total liabilities and net assets	<u>\$ 2,391,888</u>	<u>\$ 1,365,999</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

BOYS' TOWNS OF ITALY, INC.
D/B/A
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EXHIBIT B

STATEMENT OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues						
Contributions	\$ 1,573,126	\$ 137,969	\$ 1,711,095	\$ 599,692	\$ 142,500	\$ 742,192
Special events	1,105,713		1,105,713	1,597,512		1,597,512
Direct costs of special events	(435,268)		(435,268)	(430,972)		(430,972)
Investment income (loss) - net (Note 3)	(47,234)		(47,234)	31,105		31,105
Foreign exchange loss				(10,244)		(10,244)
Net assets released from restrictions (Note 6)	90,469	(90,469)		617,500	(617,500)	
Total revenues	2,286,806	47,500	2,334,306	2,404,593	(475,000)	1,929,593
Expenses (Exhibit C)						
Program services - youth development	912,762		912,762	2,060,939		2,060,939
Supporting services						
Management and general	161,589		161,589	310,893		310,893
Fund raising	239,561		239,561	272,003		272,003
Total expenses	1,313,912		1,313,912	2,643,835		2,643,835
Change in net assets (Exhibit D)	972,894	47,500	1,020,394	(239,242)	(475,000)	(714,242)
Net assets - beginning of year	1,326,983	-	1,326,983	1,566,225	475,000	2,041,225
Net assets - end of year (Exhibit A)	\$ 2,299,877	\$ 47,500	\$ 2,347,377	\$ 1,326,983	\$ -	\$ 1,326,983

See independent auditor's report.

The accompanying notes are an integral part of these statements.

BOYS' TOWNS OF ITALY, INC.

EXHIBIT C

D/B/A
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STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015				
	Program Services	Supporting Services		Direct Costs of Special Events	Total
	Youth Development	Management and General	Fund Raising		
Salaries	\$ 133,463	\$ 29,658	\$ 133,463		\$ 296,584
Payroll taxes and employee benefits	23,379	5,196	23,379		51,954
Total salaries and related expenses	156,842	34,854	156,842		348,538
Grants	723,163				723,163
Telephone and utilities	706	1,810	5,291		7,807
Advertising and promotions		9,848	34,737		44,585
Transportation and travel	21,660		3,820		25,480
Office expense	193	5,107	1,313		6,613
Insurance		7,133			7,133
Rent (Note 4)	4,862	34,038	9,725		48,625
Venue rental and catering				\$ 435,268	435,268
Investment management fees		14,550			14,550
Professional fees	4,641	67,843	22,382		94,866
Depreciation		956			956
Miscellaneous	695		5,451		6,146
Total expenses	912,762	176,139	239,561	435,268	1,763,730
Less expenses deducted directly from revenues					
Investment management fees		(14,550)			(14,550)
Direct costs of special events				(435,268)	(435,268)
Total (Exhibit B)	\$ 912,762	\$ 161,589	\$ 239,561	\$ -	\$ 1,313,912

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BOYS' TOWNS OF ITALY, INC.

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A CHANCE IN LIFE

EXHIBIT C

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STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2014				Total
	Program Services	Supporting Services		Direct Costs of Special Events	
	Youth Development	Management and General	Fund Raising		
Salaries		\$ 99,358	\$ 137,209		\$ 236,567
Payroll taxes and employee benefits		26,290	36,306		62,596
Total salaries and related expenses		125,648	173,515		299,163
Grants	\$ 2,060,939				2,060,939
Telephone and utilities		7,657	2,552		10,209
Advertising and promotions		66	25,120		25,186
Transportation and travel		14,503	1,978		16,481
Office expense		10,234	3,383		13,617
Insurance		6,712	1,375		8,087
Rent (Note 4)		47,205	5,245		52,450
Venue rental and catering				\$ 430,972	430,972
Investment management fees		16,973			16,973
Professional fees		88,687	31,160		119,847
Depreciation		956			956
Miscellaneous		9,225	27,675		36,900
Total expenses	2,060,939	327,866	272,003	430,972	3,091,780
Less expenses deducted directly from revenues					
Investment management fees		(16,973)			(16,973)
Direct costs of special events				(430,972)	(430,972)
Total (Exhibit B)	\$ 2,060,939	\$ 310,893	\$ 272,003	\$ -	\$ 2,643,835

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**BOYS' TOWNS OF ITALY, INC.
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STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 1,020,394	\$ (714,242)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	956	956
Net realized and unrealized loss (gain) on investments	64,977	(19,006)
Decrease (increase) in assets		
Contributions receivable		476,337
Prepaid expenses and other assets	(25,434)	1,905
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	5,495	(33,325)
Net cash provided (used) by operating activities	<u>1,066,388</u>	<u>(287,375)</u>
Cash flows from investing activities		
Purchases of investments	(778,593)	(1,695,154)
Proceeds from sale of investments	252,905	2,077,634
Net cash provided (used) by investing activities	<u>(525,688)</u>	<u>382,480</u>
Net change in cash	540,700	95,105
Cash - beginning of year	<u>228,846</u>	<u>133,741</u>
Cash - end of year	<u>\$ 769,546</u>	<u>\$ 228,846</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**BOYS' TOWNS OF ITALY, INC.
D/B/A
A CHANCE IN LIFE**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 1 - NATURE OF ORGANIZATION

Boys' Towns of Italy, Inc. d/b/a A Chance in Life ("BTI") is located in New York City. BTI was created "To solicit funds and contributions, and to, by gift, deed, bequest or devise and otherwise, acquire money and property of every kind and description, and to administer, expend, contribute, use and otherwise dispose of the principal and income of the same in furnishing aid and assistance for girls' and boys' towns in Italy and elsewhere and other similar programs for marginalized youth, such aid and assistance to be furnished through other humanitarian corporations and instrumentalities of the Board and to render any and all services in connection therewith." The primary sources of revenue are contributions and special events.

BTI is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

In October 2015, the Board of Directors resolved that BTI should start doing business with a new denomination "A Chance in Life" to more accurately reflect the international expansion of the organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis of accounting.

Use of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications - Printing and postage and delivery as previously reported in 2014 have been reclassified to advertising and promotions and office expense respectively within the statement of functional expenses to conform to the current year's presentation. In addition, fixed income as previously reported in 2014 has been reclassified to equities within mutual funds in the investments note to conform to the current year's presentation.

Investments - Investments are stated at fair value. BTI invests in various investment securities. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is 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 BTI's financial statements.

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BOYS' TOWNS OF ITALY, INC.
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Office equipment and furniture - Office equipment and furniture are recorded at cost. BTI capitalizes all property and equipment having a cost of \$1,000 or more with an estimated useful life of greater than one year. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Office equipment and furniture	5-7 years
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Unrestricted net assets - Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors.

Temporarily restricted net assets - Temporarily restricted net assets are those whose use by BTI has been limited by donors to a specific time period or purpose.

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.

Grant expenses - Grant expenses represent funds which are appropriated by the Board to fund youth development. Grant expense is recorded when funds are awarded.

Advertising - Advertising costs are expensed when incurred.

Rent expense - Rent is recognized on the straight-line basis over the term of the lease. Deferred rent is recorded for the difference between the fixed payment and rent expense, if material.

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

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BOYS' TOWNS OF ITALY, INC.
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

Fair Value Measurements establishes a framework for measuring fair value. That framework provides 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 BTI 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 identical or similar 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.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015 as compared to 2014.

Equities and exchange-traded funds - Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds and money market funds - Valued at the net asset value ("NAV") of shares held at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while BTI 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.

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BOYS' TOWNS OF ITALY, INC.
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

Uncertainty in income taxes - BTI has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2012 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through September 20, 2016, which is the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
	<u>Level 1</u>	<u>Level 1</u>
Equities		
Consumer discretionary	\$ 50,338	\$ 52,671
Consumer staples	15,104	12,729
Energy	397,890	31,334
Financials	40,866	44,799
Healthcare	60,384	49,405
Industrials	54,490	59,645
Information technology	68,432	47,591
Materials	19,495	22,133
Telecommunication services	2,773	2,900
Utilities	8,370	7,775
Other	<u>4,773</u>	<u>4,348</u>
Total equities	<u>722,915</u>	<u>335,330</u>

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BOYS' TOWNS OF ITALY, INC.
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 3 - INVESTMENTS (continued)

Mutual funds		
Bond	\$ 507,729	\$ 460,196
Large blend	105,498	95,667
Foreign	127,006	115,690
Real estate	<u>36,193</u>	<u>32,813</u>
Total mutual funds	<u>776,426</u>	<u>704,366</u>
Exchange-traded funds	30,518	31,176
Money market funds	<u>36,566</u>	<u>34,842</u>
Total investments	<u>\$ 1,566,425</u>	<u>\$ 1,105,714</u>

The return on investments for December 31, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 32,293	\$ 29,072
Net realized gain on investments	47,819	121,236
Net unrealized loss on investments	<u>(112,796)</u>	<u>(102,230)</u>
Total return on investments	(32,684)	48,078
Less investment fees	<u>(14,550)</u>	<u>(16,973)</u>
Net return on investments	<u>\$ (47,234)</u>	<u>\$ 31,105</u>

NOTE 4 - RENT EXPENSE

BTI leases office space in New York City. The lease is renewed annually. Rent expense for the years ended December 31, 2015 and 2014 was \$48,625 and \$52,450, respectively.

NOTE 5 - PENSION PLAN

BTI allows staff the opportunity to save for retirement through a simple IRA Plan. BTI may provide a discretionary matching amount up to a 3% match. Pension expense for the years ended December 31, 2015 and 2014 was \$0.

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BOYS' TOWNS OF ITALY, INC.
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A CHANCE IN LIFE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

During 2015, \$90,469 was released from restriction for the Ethiopia program. During 2014, \$617,500 was released from restriction for the restructuring project.

Temporarily restricted net assets are available for the following purpose:

	2015
Restructuring project	\$ <u>47,500</u>

NOTE 7 - CONCENTRATION AND COMMITMENT

Financial instruments which potentially subject the organization to a concentration of credit risk are cash accounts with major financial institutions excess of FDIC insurance limits. Management believes that credit risk related to these accounts is minimal.

During 2015, the Board of BTI approved \$300,000 in grants for the Ethiopia program. These grant awards are contingent on receiving satisfactory reports and the proper implementation of the program. As the grants are revocable and contingent, the remaining \$275,000 has not been accrued.