

BOYS' TOWNS OF ITALY, INC.
d.b.a. A CHANCE IN LIFE
Financial Statements
For the Years Ended
December 31, 2017 and 2016
(Audited)

BOYS' TOWNS OF ITALY, INC.
d.b.a. A CHANCE IN LIFE
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For the Years Ended
December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Boys' Towns of Italy, Inc. d.b.a. A Chance in Life

We have audited the accompanying financial statements of Boys' Towns of Italy, Inc. d.b.a. A Chance in Life (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, 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, 2017 and 2016, and the changes in its net assets, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Daszkowski, Tompkins, Weg & Carbonella, CPA P.C.

Daszkowski, Tompkins, Weg & Carbonella, CPA, P.C.
Matawan, New Jersey
May 1, 2018

BOYS' TOWNS OF ITALY, INC. d.b.a. A CHANCE IN LIFE
Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	\$ 508,241	\$ 389,938
Investments	2,655,803	2,186,990
Contributions receivable	5,444	7,160
Prepaid expenses & other assets	77,834	63,312
Office equipment and furniture (net of accumulated depreciation of \$8,700 in 2017 and \$5,551 in 2016)	18,859	17,000
Total assets	\$ 3,266,181	\$ 2,664,400
 Liabilities and Net Assets		
Accounts payable and accrued expense	\$ 45,404	\$ 34,460
Total liabilities	45,404	34,460
 Net Assets		
Unrestricted	3,005,777	2,629,940
Temporarily restricted (Note 6)	215,000	-
Total net assets	3,220,777	2,629,940
Total liabilities and net assets	\$ 3,266,181	\$ 2,664,400

The accompanying notes are an integral part of these financial statements.

BOYS' TOWNS OF ITALY, INC. d.b.a. A CHANCE IN LIFE
Statement of Activities for the Year Ended December 31, 2017
(with the comparative totals for the year ended December 31, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			2017	2016
Revenues				
Contributions	\$ 724,125	\$ 283,740	\$ 1,007,865	\$ 1,046,717
Special events	1,287,164		1,287,164	881,574
Direct costs of special events	(364,723)		(364,723)	(368,161)
Investment income	156,663		156,663	134,994
Net assets released from restrictions	68,740	(68,740)	-	-
Total revenues	<u>1,871,969</u>	<u>215,000</u>	<u>2,086,969</u>	<u>1,695,124</u>
Expenses				
Program services-youth development	1,199,115		1,199,115	1,055,858
Supporting services				
Management and general	147,135		147,135	206,082
Fund raising	149,882		149,882	150,619
Total expenses	<u>1,496,132</u>	<u>-</u>	<u>1,496,132</u>	<u>1,412,559</u>
Change in net assets	375,837	215,000	590,837	282,565
Net assets - beginning of year	<u>2,629,940</u>	<u>-</u>	<u>2,629,940</u>	<u>2,347,375</u>
Net assets - end of year	<u>\$ 3,005,777</u>	<u>\$ 215,000</u>	<u>\$ 3,220,777</u>	<u>\$ 2,629,940</u>

The accompanying notes are an integral part of these financial statements.

BOYS' TOWNS OF ITALY, INC. d.b.a. A CHANCE IN LIFE
Statement of Functional Expenses for the Year Ended December 31, 2017
(with the comparative totals for 2016)

	Program Services		Supporting Services		Total Expenses	
	Care for Marginalized Youth	Advance, Study and Promote Self-Government	Management and General	Fund Raising	2017	2016
Salaries	\$ 259,326	\$ 74,093	\$ 18,523	\$ 18,523	\$ 370,465	\$ 363,867
Payroll taxes and employee benefits	65,456	18,701	4,676	4,675	93,508	79,989
Total salaries and related expenses	324,782	92,794	23,199	23,198	463,973	443,856
Awards and grants	651,071				651,071	514,977
Professional fees	38,646	15,449	21,812	24,913	100,820	173,916
Advertising and promotions	9,105	26,016	5,197	62,975	103,293	63,925
Transportation and travel	15,235		337	4,600	20,172	41,750
Occupancy cost	2,846	2,846	48,099	6,209	60,000	56,768
Telecommunications	632	632	632	4,423	6,319	5,951
Technology services and software	1,775	1,585	1,965	2,155	7,480	16,824
Office expense	381	381	2,859	1,524	5,145	8,581
Marketing and business development	10,678	2,403	408	19,885	33,374	32,494
Insurance	929	929	2,789		4,647	7,320
Miscellaneous			6,413		6,413	14,896
Bank and credit card fees			15,576		15,576	16,996
Investment management fees			14,700		14,700	11,886
Depreciation			3,149		3,149	2,419
Total expenses	\$ 1,056,080	\$ 143,035	\$ 147,135	\$ 149,882	\$ 1,496,132	\$ 1,412,559

The accompanying notes are an integral part of these financial statements.

BOYS' TOWNS OF ITALY, INC. d.b.a. A CHANCE IN LIFE
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities:		
Change in net assets	\$ 590,837	\$ 282,565
Adjustments to reconcile change in net asset to cash provided (used) by operating activities		
Depreciation	3,149	2,419
Net realized and unrealized loss (gain) on investments	(86,143)	(83,834)
Decrease (increase) in assets		
Contributions receivable	1,716	(2,760)
Prepaid expenses and other assets	(14,522)	(12,629)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	10,944	(10,051)
	505,981	175,710
Net cash provided (used) by operating activities		
Cash Flows from Investing Activities:		
Purchase office equipment and furniture	(5,008)	(18,585)
Purchases on investments	(456,159)	(1,450,510)
Proceeds from sale of investments	73,489	913,779
	(387,678)	(555,316)
Net cash provided (used) by investing activities		
Net change in cash	118,303	(379,606)
Beginning of year	389,938	769,544
End of year	\$ 508,241	\$ 389,938

The accompanying notes are an integral part of these financial statements.

BOYS' TOWNS OF ITALY, INC.
d.b.a. A CHANCE IN LIFE
Notes to Financial Statements
For the Years Ended
December 31, 2017 and 2016

Note 1 – Nature of Organization

Boys' Towns of Italy, Inc. d.b.a. A Chance in Life (the Organization) is located in New York City. The Organization 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.

In October 2015, the Board of Directors resolved that the Organization 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

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Accounting

The organization prepares its financial statements using the accrual basis of accounting and accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with 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 financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Unrestricted Net Assets

Unrestricted net assets represent unrestricted resources available to support the Organization's operations and temporarily restricted resources which have become available for use by the Organization in accordance with the intentions of donors.

BOYS' TOWNS OF ITALY, INC.
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Notes to Financial Statements
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Note 2 – Summary of Significant Accounting Policies (continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets represent gifts that are subject to donor-imposed purpose or time restrictions that can be fulfilled either by actions of the Organization pursuant to those restrictions, with the passage of time, or both. Upon satisfaction of such restrictions, net assets are released from temporarily restricted net assets and recognized as unrestricted net assets.

Permanently Restricted Net Assets

Permanently restricted net assets represent gifts with donor-imposed restrictions that the original gift amounts be maintained in perpetuity as an endowment. Presently the Organization does not have any permanently restricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand or in demand deposit accounts and highly liquid investments purchased with an original maturity of three months or less. Cash and cash equivalents held within the investment account are included with the investment portfolio.

Contributions Receivable

Contributions receivable consist of unconditional promises to give that are received in the first week after the year end that are post marked in prior year.

Investments

Investments are reflected on the statements of financial position at fair value. Changes in unrealized gains and losses resulting from changes in fair value are reflected in the statements of activities and changes in net assets. Dividends and interest are recognized as they are earned.

Office Equipment and Furniture

Office equipment and furniture are recorded at cost. The Organization 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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BOYS' TOWNS OF ITALY, INC.
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Notes to Financial Statements
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December 31, 2017 and 2016

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue Recognition

Contributions, including unconditional 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 restricted 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.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited on the basis of periodic time or usage studies.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Tax Status

The Organization is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Organization has been determined by the IRS to be publicly supported organization, and not a private foundation. Donors are eligible to receive the maximum charitable tax deduction available for public charities under the IRC. As of December 31, 2017, no amounts have been recognized for uncertain income tax positions. The Organization tax returns for the year ended 2015 and forward are subject to the usual review by the appropriate authorities.

BOYS' TOWNS OF ITALY, INC.
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Notes to Financial Statements
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Note 3 – Fair Value Measurements

The Organization follows guidance with respect to accounting and reporting for fair value of its financial assets and liabilities. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between participants on the measurement date. Fair Value requires an Organization to determine the unit of account, the mechanism of hypothetical transfer, and the appropriate markets for the asset or liability being measured.

This guidance also establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The three inputs levels are as follows:

- Level 1. Quoted prices in active markets that the Organization has the ability to access for identical assets or liabilities for which significant observable inputs exist. Market price data is generally obtained from exchange or dealer markets. The Organization does not adjust the quoted price for such assets and liabilities. Investments included in level 1 may include certain equity securities, registered mutual funds and exchange traded funds.
- Level 2. Inputs other than level 1 that are observable, either directly or indirectly such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of assets or liabilities. This includes use of model based valuations techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers. Investments included in level 2 may include certain U.S. government bonds, money market funds, fixed income, equity and hedge funds and other multi strategy funds for which observable inputs exist and trade in markets not considered to be active.

BOYS' TOWNS OF ITALY, INC.
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Note 3 – Fair Value Measurements (continued)

- Level 3. Unobservable inputs, as they trade infrequently or not at all, that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Investments included in level 3 primary consist of the Organization's ownership in equity fund investments, hedge funds private equity funds, real asset funds and other similar funds. The values of these investments represent the ownership interest in the net asset value of the respective partnerships. These investments are primarily made under agreements to participate in investment vehicles and are generally subject to certain withdrawal restrictions. The fair value of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals or other estimates that require varying degrees of judgment.

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 the Organization believes its valuation methods are 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.

Note 4 – Investments

Investments are shown in the financial statements at approximate fair value and are composed of the following at December 31, 2017 and 2016 and deemed to be level 1 investments (quoted prices in active markets).

	2017 Level 1	2016 Level 1
Cash equivalents	\$ 120,264	\$ 36,427
Equity securities	478,713	436,789
Registered mutual funds	748,818	486,029
Total equities	<u>1,227,531</u>	<u>922,818</u>
Fixed Income:		
Certificates of deposits	750,146	639,233
Mutual funds	409,457	402,922
Total accrued interest	1,871	1,531
Total fixed income	<u>1,161,474</u>	<u>1,043,687</u>
Non-Traditional-mutual funds	-	47,738
Other-mutual funds	<u>146,534</u>	<u>136,320</u>
Total investments	<u>\$ 2,655,803</u>	<u>\$ 2,186,990</u>

BOYS' TOWNS OF ITALY, INC.
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Notes to Financial Statements
For the Years Ended
December 31, 2017 and 2016

Note 4 – Investments (continued)

The return on investments for December 31, 2017 and 2016 consist of the following:

	2017	2016
Interest and dividends	\$ 70,519	\$ 51,021
Net realized loss on investments	(282)	(24,110)
Net unrealized gains on investments	86,426	108,083
Total return on investments (loss)	156,663	134,994
Less investment fees	(14,700)	(11,886)
Net return on investments (loss)	<u>\$ 141,963</u>	<u>\$ 123,108</u>

Note 5 – Rent Expense

The Organization leases office space in New York City. The lease for two years ending February 28, 2017 has been renewed for an additional two years, commencing on March 1, 2017 and ending on February 28, 2019. Rent expense for the years ended December 31, 2017 and 2016 was \$54,850 and \$53,100. The future lease commitments are:

2018	55,200
2019	<u>9,200</u>
Total	<u>\$ 64,400</u>

Note 6 – Pension Plan

The Organization allows staff the opportunity to save for retirement through a simple IRA plan. The Organization may provide a discretionary matching amount up to a 3% match. The matching expense for the years ended December 31, 2017 and 2016 was \$6,428 and \$8,158 respectively.

Note 7 – Temporarily Restricted Net Assets

During 2017, the temporarily restricted net assets are made up of awards and grants that have not been released due to the timing of the funds received and the recipient complying with the terms of the award or grant to be released. \$59,987 was released from restriction for the Boys' and Girls' Towns of Ethiopia program and \$8,753 was released from restriction for the various institutions in India.

Temporarily restricted net assets are available for the following purpose:

Italy- La Repubblica dei Ragazzi	<u>\$215,000</u>
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BOYS' TOWNS OF ITALY, INC.
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Notes to Financial Statements
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December 31, 2017 and 2016

Note 8 – Concentration and Commitment

The Organization's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents and investments. The Organization maintains its cash and cash equivalents in bank deposits and money market accounts.

As of years-end December 31, 2017 and 2016 the Organization's cash was in a bank above the FDIC's general deposit insurance rules but management is confident in the soundness of the institution.

During 2015, the Organization 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 \$72,600 has not been accrued.

Note 9 - Subsequent Events

Subsequent events have been evaluated through May 1, 2018, which is the date the financial statements were available to be issued. There have been no material subsequent events that occurred during such period that would require disclosure in this report or would required to be recognized in the financial statements as of December 31, 2017.