YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

WATKINS UIBERALL
Certified Public Accountants
Independent Member of BKR International

TABLE OF CONTENTS

YOUTH VILLAGES, INC. AND AFFILIATES
ROSTER OF MANAGEMENT OFFICIALS

For the Year Ended June 30, 2024

Patrick Lawler, *Chief Executive Officer*
Greg Gregory, *Chief Financial Officer*
Catherine Smith, *Chief Strategy Officer*
Charmaine Kromer, *Chief Operating Officer for Community Based Programs*
Jody Paine, *Chief Operating Officer for Residential Services*
Scott Palmer, *Chief Information Officer*
LaTonya Pendleton, *Chief Human Resources Officer*
Cliff Reyle, *Chief of Staff*
Richard Shaw, *Chief Development Officer*
Dr. Fred Thomason, *Chief Medical Officer*

YOUTH VILLAGES, INC. AND AFFILIATES
ROSTER OF BOARD MEMBERS

For the Year Ended June 30, 2024

Mark Allen, **Board Vice Chair**, FedEx Corporation
Jes Averhart, Jes & Co
Mike Bruns, **Board Chair/Chair Emeritus**, Bruns Holdings
Fredrick Burns, **Board Secretary**, RuniT and Phramebooth
Jennifer Bush, Cummins, Inc.
Amy Crate
Jamere Jackson, AutoZone
Gerald Laurain, **Board Treasurer**
Johnny Pitts, Lipscomb & Pitts Insurance
Elizabeth Rose, Caiola & Rose, LLC
Gary Shorb, The Urban Child Institute
Rev. Rufus Smith, Hope Church
Matt Tarkenton, Tarkenton Financial
Kevin Thompson, Thompson Burton PLLC
David Tyler, Grant Thornron LLP
Monica Wharton, Methodist Le Bonheur Healthcare

Watkins Uiberall, PLLC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Youth Villages, Inc. and Affiliates
Memphis, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Youth Villages, Inc. and Affiliates (a non-profit organization, the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Youth Villages, Inc. and Affiliates as of June 30, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further discussed in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Youth Villages, Inc. and Affiliates and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of Youth Villages, Inc. and Affiliates as a whole. The supplemental information as described in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the rosters of management officials and board members but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance on them.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2024, on our consideration of Youth Villages, Inc. and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Youth Villages, Inc. and Affiliates' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Youth Villages, Inc. and Affiliates' internal control over financial reporting and compliance.

Watkins Uiberall, PLLC

Memphis, Tennessee
December 11, 2024

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2024 and 2023

Assets		2024		(As Restated) 2023
Current Assets				
Cash and cash equivalents	$	65,471,382	$	60,628,434
Receivables				
Promises to give, current portion		11,017,611		8,818,693
Grantor agencies		2,129,533		3,748,572
Contract receivables, net of allowance for credit losses of $804,504 and $516,981, respectively		51,952,646		33,773,183
Other		1,255,456		2,953,968
Investments		406,555,175		347,371,124
Prepaid expenses		3,509,004		3,742,003
Total current assets		541,890,807		461,035,977
Property and equipment, net		104,180,626		92,648,677
Other Assets				
Promises to give, net of current portion		7,609,400		11,454,050
Right-of-use asset, non-current		8,656,183		9,499,150
Other		7,840,432		7,327,917
Total other assets		24,106,015		28,281,117
Total assets	$	670,177,448	$	581,965,771

Liabilities and Net Assets		2024		(As Restated) 2023
Current Liabilities				
Accounts payable	$	8,670,238	$	5,446,360
Accrued expenses		5,189,011		4,916,626
Deferred revenue		735,123		1,157,426
Other liabilities		7,680,308		7,587,165
Lease liabilities		2,117,841		2,935,573
Payroll liabilities		12,071,765		10,781,237
Total current liabilities		36,464,286		32,824,387
Long-Term Liabilities				
Lease liabilities		6,801,687		6,638,947
Total liabilities		43,265,973		39,463,334
Net Assets				
Without donor restrictions		516,043,632		439,409,998
With donor restrictions		110,867,843		103,092,439
Total net assets		626,911,475		542,502,437
Total liabilities and net assets	$	670,177,448	$	581,965,771

The accompanying notes are an integral part of the consolidated financial statements.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2024 and 2023

	2024	(As Restated) 2023
Net Assets Without Donor Restrictions		
Revenues and Support		
State of Tennessee contract revenue	$ 162,496,186	$ 117,340,078
Contract revenue	90,510,633	76,903,366
Tenncare revenue	23,063,256	21,530,511
Medicaid revenue	70,965,859	63,439,487
Net private insurance	5,574,751	6,344,638
USDA & Grants	30,232,318	12,816,469
Other - local education authority, county, city, provider agency	3,878,574	2,715,341
Special events revenue	3,739,081	1,164,735
Less: costs of direct benefits to donors	(2,105,093)	(491,954)
Net revenues (loss) from special events	1,633,988	672,781
Dividends and interest on investments	2,662,749	1,620,907
Net gain on investments	46,190,545	28,352,225
Gain on sale of fixed assets	40,250	1,448,570
Miscellaneous income	179,843	396,081
	437,428,952	333,580,454
Net assets released from donor restrictions	30,392,381	34,318,689
Total revenues and support	467,821,333	367,899,143
Expenses		
Program services	333,648,790	276,418,107
Management and general	51,757,076	45,778,607
Fundraising	5,781,833	4,983,749
Total expenses	391,187,699	327,180,463
Change in net assets without donor restrictions	$ 76,633,634	$ 40,718,680

The accompanying notes are an integral part of the consolidated financial statements.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)

For the Years Ended June 30, 2024 and 2023

	2024	(As Restated) 2023
Net Assets With Donor Restrictions		
Donations and promises to give	$ 38,167,785	$ 78,405,843
Net assets released from donor restrictions	(30,392,381)	(34,318,689)
Change in net assets with donor restrictions	7,775,404	44,087,154
Change in net assets	84,409,038	84,805,834
Net assets - beginning of year	542,502,437	457,696,603
Net assets - end of year	$ 626,911,475	$ 542,502,437

The accompanying notes are an integral part of the consolidated financial statements.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2024

	Dogwood Residential	Bartlett Campus Residential	Bill's Place Residential	Rose Center for Girls Residential	Inner Harbour	Other Residential
Salaries & Wages	10,627,977	12,061,186	20,776,492	9,986,321	18,711,085	5,213
Fringe Benefits	2,001,980	2,407,555	3,863,200	1,910,158	3,757,305	1,330
Professional Services	179,553	109,358	480,966	901,667	320,254	-
Advertising	118,625	120,083	120,707	118,843	42,183	-
Supplies	32,454	52,927	46,038	28,725	28,445	-
Communications	23,048	24,903	31,044	22,260	52,212	-
Travel	63,185	87,789	44,463	29,211	102,668	1,864
Occupancy	283,946	290,937	320,840	221,656	430,788	11,283
Leasing Expenses	29,808	38,052	43,368	33,120	81,756	-
Maintenance	382,768	632,039	553,149	296,351	576,657	1,165
Program Expenses	912,031	1,083,725	1,393,878	711,573	1,543,888	11
Parent Contracting	-	-	-	-	-	-
Training & Seminars	50,333	61,784	81,710	49,080	115,388	-
Other Operating Expenses	63,632	66,239	88,198	40,570	138,054	-
Insurance	523,588	460,081	709,550	507,482	694,463	(1,070)
Special Events Expense	-	-	-	-	-	
Intercompany Expense (Contribution)	-	-	-	-	-	-
Bad Debt Expense	35,000	54,267	97,023	35,521	87,250	-
Partners Blue Meridian Support	-	-	-	-	-	-
	15,327,928	17,550,925	28,650,626	14,892,538	26,682,396	19,796
Less: costs of direct benefits to donors	-	-	-	-	-	-
Total functional expenses before depreciation	15,327,928	17,550,925	28,650,626	14,892,538	26,682,396	19,796
Depreciation	688,569	728,886	1,975,823	604,562	820,177	386,326
Total	$ 16,016,497	$ 18,279,811	$ 30,626,449	$ 15,497,100	$ 27,502,573	$ 406,122

The accompanying notes are an integral part of the consolidated financial statements.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended June 30, 2024

	Therapeutic Foster Care	In-Home Services	Wrap-Around Services	Group Homes	LifeSet	Crisis Services
Salaries & Wages	9,266,481	78,547,663	15,449,937	5,263,719	18,966,460	4,827,931
Fringe Benefits	1,809,457	15,991,514	3,421,700	969,481	3,966,090	1,055,968
Professional Services	175,095	741,921	329,269	41,854	81,501	30,230
Advertising	525,108	586,836	54,978	35	106,248	15,989
Supplies	45,675	364,978	83,123	9,260	86,960	12,002
Communications	138,536	1,029,727	319,362	21,673	256,228	66,093
Travel	669,351	8,990,378	2,385,426	88,549	1,870,301	93,543
Occupancy	95,363	598,653	105,465	97,457	166,465	46,771
Leasing Expenses	59,643	1,552,632	416,615	6,660	848,860	13,440
Maintenance	117,804	819,691	77,711	267,927	152,530	68,072
Program Expenses	295,656	719,019	107,412	357,395	487,106	3,382
Parent Contracting	9,414,404	-	-	-	-	-
Training & Seminars	84,313	594,616	110,614	24,917	128,588	26,623
Other Operating Expenses	227,878	744,774	139,456	32,817	181,037	33,821
Insurance	125,389	1,485,251	193,798	98,214	266,833	58,849
Special Events Expense	-	-	-	-	-	-
Intercompany Expense (Contribution)	-	-	-	-	-	-
Bad Debt Expense	-	411,484	283,618	-	10,030	-
Partners Blue Meridian Support	-	-	-	-	135,322	-
	23,050,153	113,179,137	23,478,484	7,279,958	27,710,559	6,352,714
Less: costs of direct benefits to donors	-	-	-	-	-	-
Total functional expenses before depreciation	23,050,153	113,179,137	23,478,484	7,279,958	27,710,559	6,352,714
Depreciation	160,736	443,100	66,724	227,998	70,836	30,234
Total	$ 23,210,889	$ 113,622,237	$ 23,545,208	$ 7,507,956	$ 27,781,395	$ 6,382,948

The accompanying notes are an integral part of the consolidated financial statements.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended June 30, 2024

	Strategic Partnerships	Community Violence Intervention	Other Programs	Total Program Services
Salaries & Wages	$ 2,378,952	6,566,030	3,942,661	$ 217,378,108
Fringe Benefits	552,399	1,246,907	658,567	43,613,611
Professional Services	539,942	1,850,422	333,117	6,115,149
Advertising	5,275	14,176	12,580	1,841,666
Supplies	1,269	82,624	12,330	886,810
Communications	22,118	92,865	53,543	2,153,612
Travel	166,950	285,171	349,973	15,228,822
Occupancy	3,696	50,024	10,322	2,733,666
Leasing Expenses	1,848	60,883	-	3,186,685
Maintenance	220,215	179,815	137,039	4,482,933
Program Expenses	-	302,665	141,058	8,058,799
Parent Contracting	-	-	-	9,414,404
Training & Seminars	73,842	71,278	168,252	1,641,338
Other Operating Expenses	25,280	226,825	40,543	2,049,124
Insurance	21,673	47,965	51,381	5,243,447
Special Events Expense	-	-	-	-
Intercompany Expense (Contribution)	-	-	-	-
Bad Debt Expense	18,197	-	4,741	1,037,131
Partners Blue Meridian Support	2,062,292	-	-	2,197,614
	6,093,948	11,077,650	5,916,107	327,262,919
Less: costs of direct benefits to donors	-	-	-	-
Total functional expenses before depreciation	6,093,948	11,077,650	5,916,107	327,262,919
Depreciation	-	149,084	32,816	6,385,871
Total	$ 6,093,948	$ 11,226,734	$ 5,948,923	$ 333,648,790

The accompanying notes are an integral part of the consolidated financial statements.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended June 30, 2024

	Management and General	Fundraising	Total Expenses
Salaries & Wages	$ 27,088,307	$ 3,441,439	$ 247,907,854
Fringe Benefits	5,633,220	909,897	50,156,728
Professional Services	5,218,859	471,122	11,805,130
Advertising	835,275	30,801	2,707,742
Supplies	85,449	19,385	991,644
Communications	977,152	257,917	3,388,681
Travel	738,070	69,833	16,036,725
Occupancy	160,152	33,332	2,927,150
Leasing Expenses	37,296	-	3,223,981
Maintenance	6,831,375	221,031	11,535,339
Program Expenses	13,495	-	8,072,294
Parent Contracting	-	-	9,414,404
Training & Seminars	1,130,810	35,767	2,807,915
Other Operating Expenses	1,037,837	288,166	3,375,127
Insurance	692,387	3,143	5,938,977
Special Events Expense	-		-
Intercompany Expense (Contribution)		-	-
Bad Debt Expense	-	-	1,037,131
Partners Blue Meridian Support	-	-	2,197,614
	50,479,684	5,781,833	383,524,436
Total functional expenses before depreciation	-	-	-
Less: costs of direct benefits to donors			
	50,479,684	5,781,833	383,524,436
Depreciation	1,277,392	-	7,663,263
	$ 51,757,076	$ 5,781,833	$ 391,187,699

The accompanying notes are an integral part of the consolidated financial statements.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2023

	Dogwood Residential	Bartlett Campus Residential	Bill's Place Residential	Rose Center for Girls Residential	Inner Harbour	Other Residential
Salaries & Wages	$ 8,474,233	$ 10,371,165	$ 15,337,521	$ 9,014,495	$ 16,695,187	$ 83,558
Fringe Benefits	1,726,738	2,187,566	3,086,792	1,802,038	3,605,072	17,461
Professional Services	302,351	126,356	410,497	244,438	646,502	-
Advertising	153,704	154,214	156,621	154,684	76,035	-
Supplies	27,844	43,445	40,721	29,455	23,381	11,441
Communications	30,479	51,439	22,956	25,384	66,946	27,656
Travel	51,408	114,276	41,622	28,868	99,899	13,334
Occupancy	272,332	291,305	287,824	210,319	317,601	77,089
Leasing Expenses	12,420	15,855	18,070	13,800	34,065	-
Maintenance	436,186	701,363	485,057	234,279	523,178	48,350
Program Expenses	768,568	1,018,588	1,099,412	822,674	1,436,092	276
Parent Contracting	-	-	-	-	-	-
Training & Seminars	46,746	71,328	62,512	22,296	85,002	-
Other Operating Expenses	60,632	74,333	111,427	54,822	117,975	3,200
Insurance	316,714	309,259	381,563	178,166	459,199	73,880
Bad Debt Expense	10,629	13,841	19,517	4,925	24,399	-
Partners Blue Meridian Support	-	-	-	-	-	-
	12,690,984	15,544,333	21,562,112	12,840,643	24,210,533	356,245
Less: costs of direct benefits to donors	-	-	-	-	-	-
Total functional expenses before depreciation	12,690,984	15,544,333	21,562,112	12,840,643	24,210,533	356,245
Depreciation	710,886	734,125	2,109,769	609,990	898,889	438,651
Total	$ 13,401,870	$ 16,278,458	$ 23,671,881	$ 13,450,633	$ 25,109,422	$ 794,896

The accompanying notes are an integral part of the consolidated financial statements.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended June 30, 2023

	Therapeutic Foster Care	In-Home Services	Wrap-Around Services	Group Homes	Transition-Age Services	Crisis Services
Salaries & Wages	$ 7,988,276	$ 61,414,578	$ 13,038,338	$ 4,784,011	$ 16,436,680	$ 4,463,073
Fringe Benefits	1,780,163	13,654,715	3,218,597	936,300	3,891,026	971,033
Professional Services	162,797	753,597	337,883	39,547	90,736	27,167
Advertising	485,987	977,609	93,083	1,878	170,209	32,638
Supplies	47,889	296,795	80,115	9,290	94,166	9,925
Communications	129,360	857,818	228,581	26,751	239,982	61,539
Travel	542,578	6,373,816	1,972,864	83,751	1,381,666	96,079
Occupancy	118,576	919,432	296,114	107,775	363,177	50,504
Leasing Expenses	44,422	842,281	237,256	2,775	448,583	24,350
Maintenance	139,760	793,415	152,795	279,646	165,173	89,176
Program Expenses	244,316	604,898	93,575	342,713	760,934	3,923
Parent Contracting	7,518,501	-	-	-	-	-
Training & Seminars	102,592	473,464	113,966	24,495	129,394	31,164
Other Operating Expenses	204,325	563,518	144,614	32,645	150,506	32,580
Insurance	114,297	894,208	294,907	131,768	340,346	36,518
Bad Debt Expense	-	13,919	5	-	11,618	-
Partners Blue Meridian Support	-	18	-	-	453,210	-
	19,623,839	89,434,081	20,302,693	6,803,345	25,127,406	5,929,669
Less: costs of direct benefits to donors	-	-	-	-	-	-
Total functional expenses before depreciation	19,623,839	89,434,081	20,302,693	6,803,345	25,127,406	5,929,669
Depreciation	165,924	389,808	70,081	248,067	67,402	30,372
Total	$ 19,789,763	$ 89,823,889	$ 20,372,774	$ 7,051,412	$ 25,194,808	$ 5,960,041

The accompanying notes are an integral part of the consolidated financial statements.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended June 30, 2023

	Strategic Partnerships	Memphis Allies/ SWITCH	Other Programs	Total Program Services
Salaries & Wages	$ 1,925,550	$ 2,441,204	$ 2,080,729	$ 174,548,598
Fringe Benefits	522,670	528,215	639,112	38,567,498
Professional Services	198,296	1,314,621	51,036	4,705,824
Advertising	-	75,251	11,209	2,543,122
Supplies	469	47,907	5,206	768,049
Communications	21,236	48,291	30,056	1,868,474
Travel	139,396	82,268	158,920	11,180,745
Occupancy	2,868	41,683	4,607	3,361,206
Leasing Expenses	2,772	33,655	-	1,730,304
Maintenance	13,943	162,685	167,410	4,392,416
Program Expenses	-	280,597	184,728	7,661,294
Parent Contracting	-	-	-	7,518,501
Training & Seminars	118,074	91,045	31,738	1,403,816
Other Operating Expenses	11,726	163,518	20,822	1,746,643
Insurance	18,850	28,308	23,295	3,601,278
Bad Debt Expense	-	-	-	98,853
Partners Blue Meridian Support	3,676,683	-	-	4,129,911
	6,652,533	5,339,248	3,408,868	269,826,532
Less: costs of direct benefits to donors	-	-	-	-
Total functional expenses before depreciation	6,652,533	5,339,248	3,408,868	269,826,532
Depreciation	780	93,243	23,588	6,591,575
Total	$ 6,653,313	$ 5,432,491	$ 3,432,456	$ 276,418,107

The accompanying notes are an integral part of the consolidated financial statements.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended June 30, 2023

	Management and General	Fundraising	Total Expenses
Salaries & Wages	$ 23,395,236	$ 3,008,066	$ 200,951,900
Fringe Benefits	7,690,581	515,378	46,773,457
Professional Services	3,119,670	578,578	8,404,072
Advertising	701,631	14,501	3,259,254
Supplies	81,691	17,135	866,875
Communications	951,761	209,026	3,029,261
Travel	577,040	74,755	11,832,540
Occupancy	190,881	29,997	3,582,084
Leasing Expenses	18,919	-	1,749,223
Maintenance	5,405,774	230,539	10,028,729
Program Expenses	13,428	-	7,674,722
Parent Contracting	-	-	7,518,501
Training & Seminars	653,968	34,937	2,092,721
Other Operating Expenses	865,295	260,238	2,872,176
Insurance	494,570	10,599	4,106,447
Bad Debt Expense	-	-	98,853
Partners Blue Meridian Support	-	-	4,129,911
	44,160,445	4,983,749	318,970,726
Less: costs of direct benefits to donors	-	-	-
Total functional expenses before depreciation	44,160,445	4,983,749	318,970,726
Depreciation	1,618,162	-	8,209,737
Total	$ 45,778,607	$ 4,983,749	$ 327,180,463

The accompanying notes are an integral part of the consolidated financial statements.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities:		
Change in net assets	$ 84,409,038	$ 84,805,834
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	7,663,263	8,209,737
Noncash lease expense	187,983	94,176
Gain on investments	(46,190,545)	(28,352,225)
Gain on disposal of property and equipment	(40,250)	(1,448,570)
Changes in operating assets and liabilities:		
(Increase) decrease in :		
Receivables	(13,216,180)	(9,910,906)
Prepaid expenses	232,999	(265,801)
Increase (decrease) in :		
Accounts payable	3,223,878	1,744,784
Accrued expenses	272,385	927,357
Deferred revenue	(422,303)	(1,407,622)
Other liabilities	93,143	115,945
Payroll liabilities	1,290,528	3,089,706
Total adjustments	(46,905,099)	(27,203,419)
Net cash provided by operating activities	37,503,939	57,602,415
Cash Flows From Investing Activities:		
Purchase of property and equipment	(19,195,220)	(6,748,420)
Proceeds from the sale of property and equipment	40,250	2,008,000
Payments on notes receivable	-	2,175,000
Investment in securities	(107,494,362)	(79,546,818)
Proceeds from sales of securities	94,500,856	55,141,028
Increase in sundry assets	(512,515)	(492,958)
Net cash used for investing activities	(32,660,991)	(27,464,168)
Net increase in cash and cash equivalents	4,842,948	30,138,247
Cash and cash equivalents at beginning of the year	60,628,434	30,490,187
Cash and cash equivalents at end of the year	$ 65,471,382	$ 60,628,434
Supplemental Disclosure of Cash Flow Information:		
Non-Cash Investing Activities:		
Acquisition of right of use assets under lease liabilities	$ 3,136,541	$ 10,995,893

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Youth Villages, Inc. and Affiliates (the "Organization") is a not-for-profit corporation designed to offer a comprehensive continuum of care to children and youth who are in need due to life circumstances including but not limited to emotional disturbance, mental illness, serious problem behaviors, and histories of abuse and neglect. The Organization recognizes that just as life circumstances can produce a broad spectrum of needs, an equally diverse array of services is required to meet those needs utilizing evidence and research-based practices whenever possible. The programs offered vary in location from residential services to transitional-age services and intensity from intensive residential treatment to volunteer based mentoring.

Youth Villages Foundation, Inc. is a not-for-profit corporation organized on July 1, 1996, to provide financial and support services for and operates in conjunction with Youth Villages, Inc.

The most restrictive level of care offered by the Organization is the Residential Treatment programs which provide treatment in a secured residential setting to the most seriously troubled youth. All residential treatment allows for educational, social, and recreational opportunities. Children are accepted into the residential programs when they are unable to be successful in their homes or in other placements such as foster care. Residential campuses are in Georgia and Tennessee. In addition to serving youth from these states, Youth Villages also accepted and provided residential services to out-of-state youth from Alabama, Colorado, Florida, Illinois, Indiana, Kentucky, Massachusetts, Mississippi, North Carolina, Ohio, Oklahoma, Wisconsin. Payments for residential services are provided through contracts and/or through Medicaid and private insurance carriers as services are rendered. Residential care comprises the Organization's largest program.

The Group Home programs are less restrictive than residential programs, allowing children to attend public schools when possible and more community outings while still living in supervised small homes. Locations for group homes are in Memphis and Nashville, Tennessee.

The Therapeutic Foster Care program provides settings for children with the opportunity to live and function as part of an individual family fully integrated within the community. These services are provided in Tennessee.

The Organization's next largest program is the In-Home Services program which provides intensive in-home services to youth and their families to prevent the child from being placed out of the home. In-Home Services also works with families to remove barriers so that children can return home from placements such as hospitals, residential treatment centers, and foster care. The multisystemic Therapy ("MST") program also provides intensive treatment in the home utilizing the nationally recognized MST model. This model serves youth presenting serious anti-social behaviors, often involving the juvenile justice systems, who are at high risk of placement out of the home. In-home services are provided in the states of Alabama, Arkansas, Florida, Georgia, Indiana, Kentucky, Louisiana, Massachusetts, Maine, Mississippi, New Hampshire, North Carolina, Ohio, Oklahoma, Oregon, South Carolina, and Tennessee.

As children grow into young adults, the Organization recognized their changing needs by developing the Transition-Age Services program to work one-on-one with young adults, many of whom are in state foster care, to help establish independence. Job skills, budgeting, continuing education, and independent living skills help to lay a solid foundation for a successful move into adulthood. These services are currently provided in Alabama, Arizona, Arkansas, Georgia, Kentucky, Massachusetts, Mississippi, New Hampshire, North Carolina, Oklahoma, Oregon, and Tennessee. In addition, the Mentoring program pairs adult volunteers with young adults to provide additional support and guidance in Tennessee and Georgia.

The Organization's Specialized Crisis Services provide emergency psychiatric support and recommendations for most children living in Tennessee. This unique program sends staff into the home or the child's placement to assist in providing immediate support and guidance to ensure appropriate placement decisions which includes avoiding unnecessary placements into psychiatric hospitals by providing immediate support in the home setting. Crisis support services are also provided in Oregon.

The Organization's Strategic Partnerships program started in January 2016 and allows for the Transition-Age Services and In-Home Services program models to be implemented by public or private child welfare organizations for a fee.

The Organization's Memphis Allies/SWITCH/SWITCH Youth programs started in 2021. These programs created to aid youth affected by the juvenile justice system and gun violence.

Wrap-Around Services – Wrap Around is a way or process of working with children and youth with serious mental health challenges and their families. During the Wrap Around process, community-based services and supports "wrap around" a child or youth and their family in their home, school, and community in an effort to help meet their needs.

Other Programs – this comprises much smaller programs at Youth Villages and includes: Core, FSW/FSS, Scholars, Mentoring, and New Allies.

<u>Basis of Consolidation</u>

The consolidated financial statements include the accounts of Youth Villages, Inc. and Youth Villages Foundation, Inc. The intercompany balances and transactions have been eliminated.

<u>Method of Accounting and Basis of Presentation</u>

The Organization uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

<u>Use of Estimates</u>

The presentation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the consolidated financial statements. Actual results could differ from those estimates.

Credit Risk

The Organization's credit risks primarily relate to cash and cash equivalents and investments. The Organization maintains cash balances at several banks. Those accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to an aggregate of $250,000 at each institution and by the investment companies holding mutual funds and common stocks up to an aggregate of $150,000,000. A portion of the Organization's bank deposits are held in a business investment account which is fully collateralized by U.S. government backed securities or agencies. The Organization's cash deposits exceeded FDIC limits at various times during the year. The Organization believes it is not exposed to any significant credit risk on its cash balances, due to its policy of banking with high quality financial institutions.

Revenue Recognition and Support

State contract revenue, TennCare, Medicaid, and private insurance revenue are reported at estimated net realizable amounts from third-party payers and others for services rendered and may include estimates for retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Revenues are recognized as performance obligations are satisfied.

The Organization does not have revenue recognized from performance obligations that were satisfied in prior periods and does not have any transaction price allocated to unsatisfied performance obligations. Certain judgments and estimates are used in the identification and timing of satisfaction of performance obligations and the related allocation of the transaction price. The Organization believes that these estimates represent an accurate depiction of the transfer of services to its clients.

Performance obligations are determined based on the nature of the services the Organization provides. Revenues are recognized for performance obligations satisfied over time. It is the Organization's belief that this method provides a faithful depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations. Performance obligations are measured from the commencement of services to the point when there are no further services required for the client.

Promises to give and contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Promises to give and contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restrictions expire in the fiscal year in which they are recognized. All other donor-restricted promises to give and contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. Cash and cash equivalents and investments include amounts that are donor restricted totaling $94,514,296 and $102,005,697 as of June 30, 2024 and 2023, respectively, and are limited in use to specific program support, program expansion and growth, capital asset purchases, mergers and acquisitions, plus infrastructure support with selected administrative functions that are tied to growth.

Investments

Investments are carried at fair market value with realized and unrealized gains and losses reflected in the consolidated statements of activities. Donated investments are recorded at fair value at the date of donation. Net investment return is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less related investment advisory fees.

Property and Equipment

The Organization capitalizes all property and equipment purchases of $5,000 or greater at cost at the date of acquisition, or at estimated fair market value at the date of donation in the case of donated property. Depreciation is provided using the straight-line method over the expected useful lives of the related assets which range from three to thirty years. Interest incurred on financing during a construction period is capitalized.

Contract Receivables, Promises to Give, and the Allowance for Credit Losses

The Organization reports contract receivables for services rendered at net realizable amounts from third-party payors and others. The Organization estimates the net realizable amounts based upon a review of outstanding receivables, historical collection and payment percentages, payor specific contractual agreements, and expectations of future economic conditions. There are various factors that can impact the collection trends, such as changes in the economy, which in turn have an impact on unemployment rates and the number of uninsured and underinsured beneficiaries, the increased burden of copayments to be made by clients with insurance, and business practices related to collection efforts. These factors continuously change and can have an impact on collection trends and the estimation process. As a service to the client, the Organization bills third-party payors directly and bills the client when the client's liability is determined. At June 30, 2024 and 2023, such receivables held balances of $51,952,646 and $33,773,183, respectively, net of allowances for credit losses of $804,504 and $516,981, respectively.

The Organization evaluates the collectability of promises to give and makes adjustments to the assets accordingly. An allowance for uncollectible promises to give of $604,150 and $666,517 was established at June 30, 2024 and 2023, respectively, based on management's estimation that all promises to give are not fully collectible.

In-Kind Donations and Donated Services

In-kind donations of goods are recorded at their estimated fair market value at the date of donation. Volunteers periodically provide uncompensated non-specialized services as administrative and special events assistants. During 2024 and 2023, there were no material donation of goods or specialized services which would require recognition in the consolidated financial statements.

Net Assets

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets are classified as follows:

> *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. The income from these net assets may be used for specific purposes. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expenses were $2,707,742 and $3,259,254 for the years ended June 30, 2024 and 2023, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated by management among the programs and supporting services benefited. The consolidated statements of functional expenses present the natural classification detail of expenses by function.

The Organization classifies as program services expense those items which are directly attributable to a specific program service. Those expenses which benefit more than one specific program service (shared program service expenses) are included in management and general or fundraising expenses.

Federal Tax Status

No provision for federal income taxes is required since the Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been determined to be an organization that is not a private foundation. The Organization files exempt returns in the U.S. federal jurisdiction.

Financial Instruments

The carrying amounts of the financial instruments of the Organization, consisting of cash, accounts receivable, and other assets, approximate their fair value.

Reclassifications

For comparability, certain prior year amounts have been reclassified where appropriate to conform to the presentation in the current year.

Recent Accounting Pronouncement

In June 2016, the FASB issued guidance (FASB ASC 326), *Credit Losses*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were accounts receivable. The Organization adopted the new standard effective July 1, 2023. The impact of this adoption was not considered material to the financial statements and primarily resulted in changes to disclosures only.

FASB Topic 842, *Leases*, was issued to increase the usefulness of financial statements by requiring reporting certain right-of-use assets and lease liabilities that are currently not reported. The Organization adopted this new accounting guidance for leases on July 1, 2022. As part of the adoption of the new standard, the Organization has elected to apply the short-term lease exemption for leases with terms of 12 months or less. Under the exemption, right-of-use assets and corresponding liabilities will not be recognized for short-term leases. Lease expense for short-term leases will continue to be recognized on the statement of activities on a straight-line basis over the term of the lease. The implementation of this new standard resulted in the recognition of $10,995,893 in both right of use assets and lease liabilities as of the implementation date. Right of use assets are amortized in a straight-line basis over the term of the lease. Reduction of the lease liability will be recorded using the effective interest rate, similar to other long-term debt arrangements.

Date of Management's Review

The Organization evaluated its June 30, 2024, consolidated financial statements for subsequent events through December 11, 2024, the date the consolidated financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the consolidated statements of financial position date, are noted below.

The Organization's overall goal is to maintain one year's operating expenses ($391,000,000 currently) in cash and investments. The Entity holds liquid cash to meet one to two months' operating expenses (currently approximately $35,000,000 to $75,000,000). All liquid monies are invested in overnight repurchase agreements which are guaranteed by the US government.

As described in Note 8, the Organization also has a line of credit in the amount of $8,000,000. There were no draws on this line of credit during the years ended June 30, 2024 and 2023.

	2024	2023
Cash and cash equivalents	$ 65,471,382	$ 60,628,434
Receivables		
Promises to give, current portion	11,017,611	8,818,693
Grantor agencies, net of allowance	2,129,533	3,748,572
Contract receivables, net of allowance	51,952,646	33,773,183
Other	1,255,456	2,953,968
Investments	406,555,175	347,371,124
	538,381,803	457,293,974
Less: donor restricted cash and investments	(94,514,296)	(102,005,697)
Less: donor restricted promises to give	(9,607,500)	(7,243,939)
Available for general expenditure	$ 434,260,007	$ 348,044,338

NOTE 3 – PROMISES TO GIVE

Promises to give are restricted for various programs offered by the Organization, as well as for covering the costs associated with constructing new program service facilities and other expansion activities. These unconditional contributions are recorded as income when contributed and have been discounted to net present value using a discount rate of 4.44% based on expected payments.

Promises to give are due as follows at June 30, 2024:

2025	$	11,017,611
2026		5,327,224
2027		3,081,000
2028		662,500
2029		50,000
	$	20,138,335
Promises to give, current portion	$	11,017,611
Promises to give, long-term	$	9,120,724
Less discount to present value		(907,174)
Less allowance, non-current		(604,150)
	$	7,609,400

As of June 30, 2023, total promises to give were $20,272,743, net of a discount to present value of $1,277,981 and the allowance of $666,517. Three donors accounted for 45 percent and 72 percent of promises to give at June 30, 3024 and 2023, respectively.

NOTE 4 – CONDITIONAL PROMISES TO GIVE AND INTENTIONS TO GIVE

During 2018, the Organization received a conditional promise to help support its Transition-Age Services program for young people aging out of the child welfare system. This was an agreement made between the Organization and a third party. This third party agreed to contribute an amount defined by their contract dependent upon the Organization meeting certain milestones each year. During 2023, the third-party made a conditional promise to give to contribute an additional amount as defined by their contract dependent upon the Organization meeting certain milestones each year. For the years ended June 30, 2024 and 2023, the amounts received and recorded by the Organization related to this agreement totaled $202,500 and $2,500, respectively. As of June 30, 2024 and 2023, the Organization had outstanding commitments of $985,000 and $1,487,500, respectively, which have not been recorded in the accompanying consolidated financial statements, nor will they be until the defined program accomplishments are met.

During 2020, the Organization received a conditional promise to give in relation to its efforts to expand its services in New England. This was an agreement made between the Organization and a third party. This third party agreed to contribute an amount defined by their contract dependent upon the Organization meeting certain milestones each year. For the year ended June 30, 2023, the amount received and recorded by the Organization related to this agreement totaled $500,000, which fulfilled the original commitment. During 2022, the third-party made a conditional promise to contribute an additional amount as defined by their contract dependent upon the Organization meeting certain milestones each year. The Organization received and recorded $500,000 relating to this new agreement during the years ended June 30, 2024 and 2023, respectively. As of June 30, 2024, the Organization had no outstanding commitments. As of June 30, 2023, the Organization had an outstanding commitment of $500,000, which were recorded during fiscal year 2024 when the defined program accomplishments were met.

During 2020, the Organization continued the growth capital campaign in its efforts to further expand its Transition-Age Services program. This campaign was an agreement made between the Organization and a third party. This third party agreed to contribute an amount defined by their contract dependent upon the Organization meeting certain milestones each year. For the years ended June 30, 2024 and 2023, the amount received and recorded by the Organization related to this agreement totaled $14,000,000 and $18,000,000, respectively. As of June 30, 2024 and 2023, the Organization had outstanding commitments of $7,000,00 and $21,000,000, respectively.

NOTE 5 – INVESTMENTS

The cost and market value of investments are as follows at June 30:

	2024	
	Cost	Market Value
Fixed Income	$ 78,634,804	$ 95,293,088
Domestic Equity	106,673,780	160,708,258
International equity	42,044,259	29,572,769
Global equities	26,747,147	44,379,829
Private equity funds and master limited partnerships	16,882,902	25,252,948
Hedge funds	23,811,559	30,505,533
Real estate investment trusts	16,513,143	20,842,750
Total	$ 311,307,594	$ 406,555,175
Cumulative unrealized gain on investments		$ 95,247,581

	2023	
	Cost	Market Value
Fixed Income	$ 61,450,043	$ 58,866,353
Domestic Equity	101,730,264	131,262,555
International equity	41,384,317	49,072,697
Global equities	26,704,405	37,528,962
Private equity funds and master limited partnerships	13,188,719	23,045,868
Hedge funds	25,607,349	28,112,962
Real estate investment trusts	15,382,720	19,481,727
Total	$ 285,447,817	$ 347,371,124
Cumulative unrealized gain on investments		$ 61,923,307

The Organization holds shares in domestic and foreign companies that invest in derivative financial instruments for the purpose of hedging the risks of certain identifiable and anticipated transactions. In general, the types of risks hedged are those relating to the effects of stock selections through 1) borrowing money against their long positions and 2) borrowing securities in connection with short positions. The hedged investments are carried at fair market value. During 2024 and 2023, the Organization recognized a net gain of $2,710,768 and $2,391,248 respectively, from fair value hedges which are included in "Net gain on investments" in the consolidated statements of activities.

At June 30, 2024 and 2023, the Foundation had commitments to fund private equity and real estate investment trusts of $16,779,487 and $11,737,911, respectively, which are due upon request.

NOTE 6 – FAIR VALUE MEASUREMENT

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under generally accepted accounting principles are described below:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities the Organization has the ability to access.

- Level 2 – Inputs (other than quoted prices with level 1) that are observable for the asset or liability, either directly or indirectly.

  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 which are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The asset's 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 attempt 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 June 30, 2024.

Private equity funds, master limited partnerships, hedge funds and real estate investment trusts: Valued at the net asset value of shares held by the Organization at year end, as reported by the fund.

Equity securities and mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

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 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 as of June 30, 2024 and 2023.

	Assets at Fair Value as of June 30, 2024				
	Level 1	Level 2	Level 3	Assets Measured at Net Asset Value	Total
Fixed income	$ 95,293,088	$ -	$ -	$ -	$ 95,293,088
Domestic Equity	160,708,258	-	-	-	160,708,258
International equity at NAV	-	-	-	29,572,769	29,572,769
Global equity at NAV	-	-	-	44,379,829	44,379,829
Private equity funds and master limited partnerships at NAV	-	-	-	25,252,948	25,252,948
Hedge funds at NAV	-	-	-	30,505,533	30,505,533
Real estate investment trusts at NAV	-	-	-	20,842,750	20,842,750
Total assets at fair value	$ 256,001,346	$ -	$ -	$ 150,553,829	$ 406,555,175

	Assets at Fair Value as of June 30, 2023				
	Level 1	Level 2	Level 3	Assets Measured at Net Asset Value	Total
Fixed Income	$ 58,866,353	$ -	$ -	$ -	$ 58,866,353
Domestic Equity	131,262,555	-	-	-	131,262,555
International equity at NAV	-	-	-	49,072,697	49,072,697
Global equity at NAV	-	-	-	37,528,962	37,528,962
Private equity funds and master limited partnerships at NAV	-	-	-	23,045,868	23,045,868
Hedge funds at NAV	-	-	-	28,112,962	28,112,962
Real estate investment trusts at NAV	-	-	-	19,481,727	19,481,727
Total assets at fair value	$ 190,128,908	$ -	$ -	$ 157,242,216	$ 347,371,124

The Organization has the following investments which calculate net asset value (NAV) per share at June 30:

	2024			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
International equity	$ 29,572,769	$ -	Monthly or quarterly	15-60 days
Global Equity	44,379,829	1,944,079	Monthly, quarterly, as provided	6-60 days
Hedge Funds	30,505,533	-	Quarterly	60-90 days
Private equity funds	25,252,948	5,183,862	Monthly, quarterly, annually, or as provided	30-180 days
Real estate investment trusts	20,842,750	9,651,546	Daily or as provided	Not applicable
	$ 150,553,829	$ 16,779,487		

	2023			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
International equity	$ 49,072,697	$ -	Monthly or quarterly	15-60 days
Global Equity	37,528,962	2,334,079	Monthly, quarterly, as provided	6-60 days
Hedge Funds	28,112,962	-	Quarterly	60-90 days
Private equity funds	23,045,868	3,956,077	Monthly, quarterly, annually, or as provided	30-180 days
Real estate investment trusts	19,481,727	5,447,755	Daily or as provided	Not applicable
	$ 157,242,216	$ 11,737,911		

Private Equity and Master Limited Partnerships

Youth Villages, Inc. and Affiliates invests in several private equity and master limited partnership funds that invests in private equity, venture capital, closed end bond funds, long Japanese and pan-Asia equity, U.S. equity, international equity, emerging markets equity, global long/short equity, and designated side pocket equity that are not publicly traded. Redemptions are permitted during the life of the funds, and the redemption notice period ranges from 30-90 days. When the assets are sold, the proceeds, less any incentive due to the fund sponsor, will be distributed to the investors. The sale of the assets is subject to the approval of the fund's managers.

Real Estate Investment Trusts

Youth Villages, Inc. and Affiliates invests in one real estate investment trust that invests in residential real estate. Redemptions are permitted. When the underlying assets are sold, the proceeds, less any incentives due to the fund sponsor, will be distributed to the investors.

Hedge Funds

Youth Villages, Inc. and Affiliates invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. These funds invest in private equity, venture capital, global long/short equity, designated side pocket investments, insurance linked securities, municipal bonds, corporate stocks, real estate, insurance linked debt, film receivables lending, and cash. The fair values of these investments have been estimated using the net asset value per share of the investments as provided by the hedge fund managers.

NOTE 7 – PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows at June 30:

	2024	2023
Land	$ 8,823,737	$ 8,498,831
Buildings	122,907,405	121,280,229
Equipment and vehicles	32,414,907	31,286,215
Furniture and fixtures	14,378,905	13,351,096
Construction in progress	16,063,253	1,137,364
	194,588,207	175,553,735
Less accumulated depreciation	(90,407,581)	(82,905,058)
	$ 104,180,626	$ 92,648,677

Construction in progress primarily consists of various construction projects including the Dogwood Campus and Activity Center, Inner Harbour Campus and Administration Building, and other miscellaneous projects. As of June 30, 2024, the estimated cost to complete these projects was approximately $39,587,928.

NOTE 8 – LINE OF CREDIT

The Organization holds a line of credit with a financial institution with a credit limit of $8,000,000. Regular monthly payments of all accrued unpaid interest are due as of each payment date, beginning April 30, 2024, with all subsequent interest payments to be due on the same day of each month thereafter. The line of credit matures on March 31, 2025, with all outstanding principal plus all accrued unpaid interest due on that date. Interest is equal to the one-month SOFR rate plus 1.61%. As of June 30, 2024, the rate was 6.94%. The note is unsecured. There were no draws on this line of credit during the years ended June 30, 2024 or 2023.

NOTE 9 – LETTER OF CREDIT

The Organization has established one letter of credit with a bank, which names an insurance company as beneficiary. The Organization is self-insured with regard to workers' compensation, and the letter of credit was established to cover workers' compensation claims in the event of default on the part of the Organization. The letter of credit allows beneficiary drawings up to $2,490,000; it expires December 16, 2024. As of June 30, 2024 and 2023, there were no drawings made by the beneficiary.

NOTE 10 – NET ASSETS AND PRIOR PERIOD ADJUSTMENT

As of June 30, 2024 and 2023, net assets without donor restriction, designated by the board are, $7,840,432 and $7,327,917, respectively. These amounts have been designated to pay benefits to key employees upon termination of employment.

During the year ended June 30, 2024, management determined that a contribution received during the prior year in the amount of $6,000,000 was reported as a grant without restrictions, while the grantor had intended that the amount was to be restricted for the Blue Meridian Partners/Growth Campaign III. Management has restated the June 30, 2023 financial statements to reclassify this transactions as follows:

	June 30, 2023		
	As Reported	Adjustment	As Restated
Net Assets Without Donor Restrictions	$ 445,409,998	$ (6,000,000)	$ 439,409,998
Net Assets With Donor Restrictions	97,092,439	6,000,000	103,092,439
Net Assets Without Donor Restrictions			
Revenues and Support			
USDA & Grants	18,816,469	(6,000,000)	12,816,469
Total Revenues and Support	373,899,143	(6,000,000)	367,899,143
Change in net assets without donor restrictions	46,718,680	(6,000,000)	40,718,680
Net Assets With Donor Restrictions			
Donations and promises to give	72,405,843	6,000,000	78,405,843
Change in net assets with donor restrictions	38,087,154	6,000,000	44,087,154

Net assets with donor restrictions are available for the following purposes at June 30:

	2024	(as restated) 2023
Purpose Restrictions:		
Transition-Age Services	$ 32,234,882	$ 34,862,315
Memphis Allies/SWITCH	21,872,897	17,489,465
Capital Projects	487,342	487,342
Bills' Place Campaign	205,000	594,595
Janie's Fund	7,154,218	6,000,755
Blue Meridian Partners/Growth Capital Campaign III	48,913,504	43,657,967
	$ 110,867,843	$ 103,092,439

NOTE 11 – LEASE COMMITMENTS

The Organization maintains various lease agreements for certain administrative and operating facilities in Alabama, Arizona, Arkansas, District of Columbia, Georgia, Florida, Indiana, Kentucky, Louisiana, Massachusetts, Mississippi, North Carolina, New Hampshire, Ohio, Oklahoma, Oregon, South Carolina, and Tennessee. The Organization has elected to use the portfolio approach in determining the discount rate which will be applied to all leases which do not qualify as short-term. These leases qualify as operating leases for financial statement presentation purposes. Interest rates are not implicit in the leases, and as the Organization does not carry any debt, management has determined that the risk-free rate should be used to discount the lease payments to their present value. For the years ended June 30, 2024 and 2023, operating lease expenses totaled $3,223,981 and $1,749,223, respectively, while payments made under short-term leases were approximately $662,000 during both 2024 and 2023.

The future minimum lease obligations are as follows:

	June 30	
	2025	$ 3,124,752
	2026	2,422,327
	2027	1,307,699
	2028	1,025,696
	2029	614,828
	Thereafter	1,431,137
		9,926,439
Less effects of discounting		(1,006,911)
Present value of future minimum lease payments		$ 8,919,528

NOTE 12 – CONTINGENCIES

The Organization is involved in various legal actions incident to the ordinary course of business. In the opinion of management, the eventual disposition of these matters will not have a material adverse effect on financial position or results of operations.

NOTE 13 – RETIREMENT PLAN

The Organization maintains a plan that allows employee deferrals and provides for employer matching of up to two percent and a fixed contribution of three percent of eligible compensation. Employer contributions for the years ended June 30, 2024 and 2023 were $8,028,521 and $6,152,477, respectively.

NOTE 14 – RELATED PARTY TRANSACTIONS

Youth Villages, Inc. is affiliated through common management and membership with Youth Villages Foundation, Inc. The Foundation collects donations and pledges for Youth Villages, Inc. and transferred $28,868,013 and $36,274,166 to Youth Villages, Inc. for the years ended June 30, 2024 and 2023, respectively. Also, Youth Villages, Inc. and Youth Villages Foundation, Inc. have intercompany receivables/payables which totaled $116,637,755 and $102,676,547 as of June 30, 2024 and 2023, respectively. These amounts have been eliminated in the consolidation.

The Organization maintains cash and investments in numerous banks and trust companies. Officers of these banks and trust companies served on the Board of Directors of the Organization in 2023. The amount of funds maintained at these institutions at June 30, 2023 was $50,921,390. Any fees paid were at market rates. There are no related party transactions with Arkansas funding.

The Organization purchased insurance services through a company that is owned and managed by a member of the Board of Directors of the Organization. The amounts paid totaled $290,000 for the years ended June 30, 2024 and 2023.

The Organization purchased consulting services from a company owned by a relative of a member of management of the Organization. The amounts totaled $95,000 for the years ended June 30, 2024 and June 30, 2023. The Organization purchased specialty services from a company owned by a member of the Board of Directors of the Organization. The amounts paid totaled $40,500 and $39,525 for the years ended June 30, 2024 and June 30, 2023, respectively.

The Organization purchased a vehicle from a member of its management for a total of $16,000 for the year ended June 30, 2024.

NOTE 15 – INSURANCE POLICIES

Youth Villages, Inc. maintains life insurance policies on certain key employees of the Organization. As of June 30, 2024 and 2023, the cash value of these policies totaled $7,840,432 and $7,327,917, respectively and are included in “Other Assets” on the consolidated statements of financial position.

NOTE 16 – ECONOMIC DEPENDENCY

Youth Villages, Inc. relies upon the State of Tennessee as its major source of revenue. For the years ended June 30, 2024 and 2023, revenues from the State of Tennessee were $185,559,442 and $138,870,587, respectively. These revenues represented 45% and 41% of total revenue for Youth Villages, Inc. for the years ended June 30, 2024 and 2023, respectively. The Organization places an emphasis on diversifying its sources of revenue. The Organization has been successful in its diversification plan by lowering the dependence on revenue from the State of Tennessee from 69% in 2005 to 45% in 2024. State of Tennessee contract revenue is reported at estimated net realizable amounts for services rendered. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

NOTE 17 – UNCERTAINTIES

The Medicaid program accounted for approximately 17% and 19% of Youth Villages, Inc.'s total revenue for the years ended June 30, 2024 and 2023, respectively. Laws and regulations governing the Medicaid program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term.

SUPPLEMENTAL INFORMATION

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

June 30, 2024

	Youth Villages, Inc.	Youth Villages Foundation, Inc.	Eliminations	Total
Current Assets				
Cash and cash equivalents	$ 20,984,541	$ 44,486,841	$ -	$ 65,471,382
Receivables				
Affiliate	116,637,755	-	(116,637,755)	-
Promises to give, current portion	-	11,017,611	-	11,017,611
Grantor agencies	2,129,533	-	-	2,129,533
Contract receivables, net	51,952,646	-	-	51,952,646
Other	1,255,456	-	-	1,255,456
Investments	-	406,555,175	-	406,555,175
Prepaid expenses	3,487,192	21,812	-	3,509,004
Total current assets	196,447,123	462,081,439	(116,637,755)	541,890,807
Property and Equipment				
Land	8,823,737	-	-	8,823,737
Buildings	122,907,405	-	-	122,907,405
Equipment and vehicles	32,265,320	149,587	-	32,414,907
Furniture and fixtures	14,366,866	12,039	-	14,378,905
Construction in progress	16,063,253	-	-	16,063,253
	194,426,581	161,626	-	194,588,207
Accumulated depreciation	(90,245,955)	(161,626)	-	(90,407,581)
Total property and equipment	104,180,626	-	-	104,180,626
Other Assets				
Promises to give, net of current portion	-	7,609,400	-	7,609,400
Right-of-use assets, noncurrent	8,656,183	-	-	8,656,183
Other	7,840,432	-	-	7,840,432
Total other assets	16,496,615	7,609,400	-	24,106,015
Total assets	$ 317,124,364	$ 469,690,839	$ (116,637,755)	$ 670,177,448

See independent auditor’s report.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)

June 30, 2024

	Youth Villages, Inc.	Youth Villages Foundation, Inc.	Eliminations	Total
Current Liabilities				
Accounts payable	$ 8,565,286	$ 104,952	$ -	$ 8,670,238
Accounts payable, affiliate	-	116,637,755	(116,637,755)	-
Accrued expenses	5,158,260	30,751	-	5,189,011
Deferred revenue	735,123	-	-	735,123
Other liabilities	7,471,944	208,364	-	7,680,308
Lease liabilities	2,117,841	-	-	2,117,841
Payroll liabilities	11,838,974	232,791	-	12,071,765
Total current liabilities	35,887,428	117,214,613	(116,637,755)	36,464,286
Long-Term Liabilities				
Lease liabilities	6,801,687	-	-	6,801,687
Total liabilities	42,689,115	117,214,613	(116,637,755)	43,265,973
Net Assets				
Without donor restrictions	274,435,249	241,608,383	-	516,043,632
With donor restrictions	-	110,867,843	-	110,867,843
Total net assets	274,435,249	352,476,226	-	626,911,475
Total liabilities and net assets	$ 317,124,364	$ 469,690,839	$ (116,637,755)	$ 670,177,448

See independent auditor’s report.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the Year Ended June 30, 2024

	Youth Villages Inc.	Youth Villages Foundation Inc.	Eliminations	Total
Net Assets Without Donor Restrictions				
Revenues and Support				
State of Tennessee contract revenue	$ 162,496,186	$ -	$ -	$ 162,496,186
Contract revenue	90,510,633	-	-	90,510,633
Tenncare revenue	23,063,256	-	-	23,063,256
Medicaid revenue	70,965,859	-	-	70,965,859
Net private insurance	5,574,751	-	-	5,574,751
USDA & Grants	25,390,833	4,841,485	-	30,232,318
Other - local education authority, county, city, provider agency	3,878,574	-	-	3,878,574
Donations and promises to give	28,868,013	-	(28,868,013)	-
Special events revenue	-	3,739,081	-	3,739,081
Less: costs of direct benefits to donors	-	(2,105,093)	-	(2,105,093)
Net revenues from special events	-	1,633,988	-	1,633,988
Dividends and interest on investments	681,129	1,981,620	-	2,662,749
Net gain on investments	-	46,190,545	-	46,190,545
Gain on sale of fixed assets	40,250	-	-	40,250
Miscellaneous income	176,130	3,713	-	179,843
	411,645,614	54,651,351	(28,868,013)	437,428,952
Net assets released from donor restrictions	-	30,392,381	-	30,392,381
Total revenues and support	411,645,614	85,043,732	(28,868,013)	467,821,333
Expenses				
Charitable contributions	-	28,868,013	(28,868,013)	-
Program services	333,648,790	-	-	333,648,790
Management and general	50,525,490	1,231,586	-	51,757,076
Fundraising	-	5,781,833	-	5,781,833
Total expenses	384,174,280	35,881,432	(28,868,013)	391,187,699
Change in net assets without donor restrictions	$ 27,471,334	$ 49,162,300	$ -	$ 76,633,634

See independent auditor’s report.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF ACTIVITIES (CONTINUED)

For the Year Ended June 30, 2024

	Youth Villages Inc.	Youth Villages Foundation Inc.	Eliminations	Total
Net Assets With Donor Restrictions				
Donations and promises to give	$ -	$ 38,167,785	$ -	$ 38,167,785
Net assets released from donor restrictions	-	(30,392,381)	-	(30,392,381)
Change in net assets with donor restrictions	-	7,775,404	-	7,775,404
Change in net assets	27,471,334	56,937,704	-	84,409,038
Net assets - beginning of year, as restated	246,963,915	295,538,522	-	542,502,437
Net assets - end of year	$ 274,435,249	$ 352,476,226	$ -	$ 626,911,475

See independent auditor’s report.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF CASH FLOWS

For the Year Ended June 30, 2024

	Youth Villages, Inc.	Youth Villages Foundation, Inc.	Eliminations	Total
Cash Flows From Operating Activities:				
Change in net assets	$ 27,471,334	$ 56,937,704	$ -	$ 84,409,038
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:				
Depreciation	7,663,263	-	-	7,663,263
Noncash lease expense	187,983	-	-	187,983
Gain on investments	-	(46,190,545)	-	(46,190,545)
Gain on disposal of property and equipment	(40,250)	-	-	(40,250)
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Receivables	(16,731,912)	3,515,732	-	(13,216,180)
Receivables - affiliate	(13,961,208)	-	13,961,208	-
Prepaid expenses	134,348	98,651	-	232,999
Increase (decrease) in:				
Accounts payable	3,177,207	46,671	-	3,223,878
Accounts payable - affiliate	-	13,961,208	(13,961,208)	-
Accrued expenses	276,124	(3,739)	-	272,385
Deferred revenue	(422,303)	-	-	(422,303)
Other liabilities	483,252	(390,109)	-	93,143
Payroll liabilities	1,270,319	20,209	-	1,290,528
Total adjustments	(17,963,177)	(28,941,922)	-	(46,905,099)
Net cash provided by operating activities	9,508,157	27,995,782	-	37,503,939
Cash Flows From Investing Activities:				
Purchase of property and equipment	(19,195,220)	-	-	(19,195,220)
Proceeds from the sale of property and equipment	40,250	-	-	40,250
Payments on notes receivable	-	-	-	-
Investment in securities	-	(107,494,362)	-	(107,494,362)
Proceeds from sales of securities	-	94,500,856	-	94,500,856
Increase in sundry assets	(512,515)	-	-	(512,515)
Net cash used for investing activities	(19,667,485)	(12,993,506)	-	(32,660,991)
Net increase (decrease) in cash and cash equivalents	(10,159,328)	15,002,276	-	4,842,948
Cash and cash equivalents at beginning of the year	31,143,869	29,484,565	-	60,628,434
Cash and cash equivalents at end of the year	$ 20,984,541	$ 44,486,841	$ -	$ 65,471,382

See independent auditor’s report.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Youth Villages, Inc. and Affiliates

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Youth Villages, Inc. and Affiliates (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 11, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Youth Villages, Inc. and Affiliates' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Youth Villages, Inc. and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of Youth Villages, Inc. and Affiliates' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Youth Villages, Inc. and Affiliates' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Watkins Uiberall, PLLC

Memphis, Tennessee
December 11, 2024