

YOUTH VILLAGES, INC. AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020



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**YOUTH VILLAGES, INC. AND AFFILIATES
ROSTER OF MANAGEMENT OFFICIALS**

For the Year Ended June 30, 2021

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

**YOUTH VILLAGES, INC. AND AFFILIATES
ROSTER OF BOARD MEMBERS**

For the Year Ended June 30, 2021

Mark Allen, FedEx
Jes Averhart, Jes & Co.
Mike Bruns, Bruns Holdings
Fredrick Burns, RuniT and Phramebooth
Jennifer Bush, Cummins Inc. and Southern Plains, LLC
Amy Crate
Vanessa Diffenbaugh, the Camellia Network
Candace Steele Flippin, Accuity Brands, Inc.
Bill Giles
Christopher H. Hunter, Humana
James D, Lackie, River Street Management Company
Gerald Laurain, FTB Wealth Management
Johnny Pitts, Lipscomb & Pitts Insurance Co.
Elizabeth Rose, Caiola & Rose, LLC
Gary Shorb, Urban Child Institute
Rev. Rufus Smith, Hope Church
Matt Tarkenton, Tarkenton Financial
David Tyler, Grant Thornton LLP
Daryl 'Chip' Wade, Union Square Hospitality Group
Monica Wharton, Methodist LeBonheur Healthcare

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Youth Villages, Inc. and Affiliates (a non-profit organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 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, 2021 and 2020, 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.

Other Matters

Other Information

Our audits were 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.

The rosters of management officials and board members have not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued, in a separate bound document, our report dated December 13, 2021, on the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and 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.



Memphis, Tennessee
December 13, 2021

YOUTH VILLAGES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	<u>Assets</u>	
	2021	2020
Current Assets		
Cash and cash equivalents	\$ 41,859,868	\$ 61,061,523
Receivables		
Promises to give, current portion	12,931,666	10,004,121
Grantor agencies	1,913,568	2,913,267
Contract receivables	34,439,437	25,711,903
Notes receivable, current	32,753	-
Other	507,000	1,260,592
Investments	286,148,437	192,117,444
Prepaid expenses	2,071,716	1,708,643
Total current assets	379,904,445	294,777,493
Property and equipment, net	95,862,716	93,488,350
Other Assets		
Promises to give, net of current portion	2,703,242	9,389,420
Notes receivable, long-term	2,142,247	-
Other	7,633,525	7,297,401
Total other assets	12,479,014	16,686,821
Total assets	\$ 488,246,175	\$ 404,952,664
	<u>Liabilities and Net Assets</u>	
Current Liabilities		
Accounts payable	\$ 5,016,870	\$ 5,173,783
Accrued salaries and compensated absences	13,451,490	9,617,174
Accrued retirement plan contributions	408,039	2,246,328
Accrued and withheld taxes	35,652	253,055
Accrued other expenses	2,674,030	3,196,103
Deferred revenue	270,046	31,570
Total current liabilities	21,856,127	20,518,013
Net Assets		
Without donor restrictions	410,599,482	325,430,453
With donor restrictions	55,790,566	59,004,198
Total net assets	466,390,048	384,434,651
Total liabilities and net assets	\$ 488,246,175	\$ 404,952,664

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, 2021 and 2020

	2021	2020
Net Assets Without Donor Restrictions		
Revenues and Support		
State of Tennessee contract revenue	\$ 87,454,628	\$ 81,615,849
Contract revenue	63,634,411	58,613,579
TennCare revenue	21,573,711	17,272,550
Medicaid revenue	58,482,696	46,470,883
Net private insurance	4,960,424	5,283,964
Grants	5,558,594	1,615,984
USDA	1,019,119	921,700
Other - local education authority, county, city, provider agency	2,751,500	1,397,516
Donations and promises to give	4,704,548	5,662,447
Special events revenue	604,069	3,023,769
Less: costs of direct benefits to donors	(49,887)	(1,709,819)
Net revenues (loss) from special events	554,182	1,313,950
Dividends and interest on investments	866,548	2,495,913
Net gain (loss) on investments	62,837,684	(3,714,399)
Gain on sale of fixed assets	992,050	55,220
Miscellaneous income	1,433,955	1,465,857
	316,824,050	220,471,013
Net assets released from donor restrictions	25,177,778	19,590,259
Total revenues and support	342,001,828	240,061,272
Expenses		
Program services	214,259,137	189,043,057
Management and general	38,827,287	34,039,909
Fundraising	3,746,375	3,339,127
Total expenses	256,832,799	226,422,093
Change in net assets without donor restrictions	85,169,029	13,639,179

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Net Assets With Donor Restrictions		
Donations and pledges	21,964,146	24,272,008
Net assets released from donor restrictions	<u>(25,177,778)</u>	<u>(19,590,259)</u>
Change in net assets with donor restrictions	<u>(3,213,632)</u>	<u>4,681,749</u>
Change in net assets	81,955,397	18,320,928
Net assets - beginning of year	<u>384,434,651</u>	<u>366,113,723</u>
Net assets - end of year	<u>\$ 466,390,048</u>	<u>\$ 384,434,651</u>

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, 2021

	Dogwood Residential	Bartlett Campus Residential	Bill's Place Residential	Rose Center for Girls Residential	Inner Harbour	Other Residential	Day Treatment (MS)
Salaries and wages	\$ 6,715,114	\$ 8,573,856	\$ 12,077,626	\$ 7,084,256	\$ 13,640,661	\$ 85,608	\$ 64,640
Employee benefits	1,512,483	2,257,956	3,021,473	1,903,053	3,553,771	55,770	18,088
Clothing allowance	21,434	20,415	-	-	-	-	-
Communications	53,424	100,051	29,182	26,548	53,566	1,715	1,090
Contribution expense	-	-	-	-	-	-	-
General insurance	116,502	182,847	246,091	106,413	241,141	35,194	282
Miscellaneous	112,652	181,668	185,210	101,515	119,928	100	426
Professional services	108,529	135,130	306,891	329,719	734,244	39,060	-
Rent	108,000	-	-	-	-	9,362	-
Repairs and maintenance	291,946	532,228	282,888	193,395	433,055	87,873	-
Supplies	561,487	772,159	880,193	666,158	1,499,931	1,392	177
Training and seminars	20,752	28,980	37,870	14,842	36,043	-	369
Travel	54,949	116,590	131,205	35,767	93,835	3,390	3,040
Bad debt expense	53,851	60,884	156,416	65,949	282,845	-	5,000
Special events direct costs	-	-	-	-	-	-	-
Utilities	128,888	225,661	276,072	188,340	228,134	58,354	-
	<u>9,860,011</u>	<u>13,188,425</u>	<u>17,631,117</u>	<u>10,715,955</u>	<u>20,917,154</u>	<u>377,818</u>	<u>93,112</u>
Less: costs of direct benefits to donors	-	-	-	-	-	-	-
Total functional expenses before depreciation	9,860,011	13,188,425	17,631,117	10,715,955	20,917,154	377,818	93,112
Depreciation	423,491	748,288	2,019,474	684,013	861,264	539,524	-
Total	<u>\$ 10,283,502</u>	<u>\$ 13,936,713</u>	<u>\$ 19,650,591</u>	<u>\$ 11,399,968</u>	<u>\$ 21,778,418</u>	<u>\$ 917,342</u>	<u>\$ 93,112</u>

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, 2021

	Therapeutic Foster Care	In-Home Services	Wrap-Around Services	Group Homes	Adoptions	LifeSet	Mentoring
Salaries and wages	\$ 6,394,130	\$ 44,798,602	\$ 10,017,102	\$ 4,005,286	\$ 418,879	\$ 13,025,231	\$ 378,683
Employee benefits	1,490,492	10,703,439	2,330,499	918,670	95,188	3,106,848	82,564
Clothing allowance	-	-	-	-	-	-	-
Communications	117,635	878,777	235,563	49,609	6,318	261,338	4,574
Contribution expense	-	-	-	-	-	152,450	-
General insurance	39,688	297,240	57,570	55,516	2,700	84,635	260
Miscellaneous	499,808	903,391	123,123	55,893	4,306	831,227	15,812
Professional services	6,643,091	794,053	410,120	8,760	67	22,947	-
Rent	98,645	1,398,716	459,231	18,043	-	459,590	-
Repairs and maintenance	96,483	586,098	158,724	167,897	50	171,912	11,307
Supplies	121,148	532,536	81,792	283,823	3,180	124,561	1,275
Training and seminars	73,148	523,245	60,209	13,908	1,006	63,787	806
Travel	336,039	2,573,793	868,187	93,269	7,469	608,864	1,174
Bad debt expense	4,688	348,494	86,514	1,643	-	61,785	-
Special events direct costs	-	-	-	-	-	-	-
Utilities	14,453	114,662	19,712	58,102	-	30,419	-
	<u>15,929,448</u>	<u>64,453,046</u>	<u>14,908,346</u>	<u>5,730,419</u>	<u>539,163</u>	<u>19,005,594</u>	<u>496,455</u>
Less: costs of direct benefits to donors	-	-	-	-	-	-	-
Total functional expenses before depreciation	15,929,448	64,453,046	14,908,346	5,730,419	539,163	19,005,594	496,455
Depreciation	33,561	311,931	81,376	189,653	-	94,160	-
Total	<u>\$ 15,963,009</u>	<u>\$ 64,764,977</u>	<u>\$ 14,989,722</u>	<u>\$ 5,920,072</u>	<u>\$ 539,163</u>	<u>\$ 19,099,754</u>	<u>\$ 496,455</u>

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, 2021

	Crisis Services	Partners	GuideTree	New Allies	Memphis Allies	Total Program Services	Management and General
Salaries and wages	\$ 3,391,963	\$ 1,819,547	\$ 81,368	\$ 265,626	\$ 154,234	\$ 132,992,412	\$ 20,831,483
Employee benefits	834,003	480,102	3,838	78,007	24,542	32,470,786	5,812,530
Clothing allowance	-	-	-	-	-	41,849	-
Communications	67,613	31,030	652	2,983	2,102	1,923,770	875,191
Contribution expense	-	5,337,969	-	-	-	5,490,419	-
General insurance	25,148	9,570	-	-	-	1,500,797	306,528
Miscellaneous	29,638	107,981	160	761	1,427	3,275,026	600,573
Professional services	11,314	147,909	575,286	3,390	482,558	10,753,068	2,843,108
Rent	69,264	47,393	-	-	-	2,668,244	(116,550)
Repairs and maintenance	43,268	88,837	38,524	144	340	3,184,969	5,215,645
Supplies	10,258	5,311	-	266	50	5,545,697	319,120
Training and seminars	33,432	8,007	-	2,379	-	918,783	447,978
Travel	14,963	5,841	-	171	10,616	4,959,162	184,111
Bad debt expense	4,600	496	-	-	-	1,133,165	-
Special events direct costs	-	-	-	-	-	-	-
Utilities	13,452	-	-	-	-	1,356,249	237,083
	<u>4,548,916</u>	<u>8,089,993</u>	<u>699,828</u>	<u>353,727</u>	<u>675,869</u>	<u>208,214,396</u>	<u>37,556,800</u>
Less: costs of direct benefits to donors	-	-	-	-	-	-	-
Total functional expenses before depreciation	4,548,916	8,089,993	699,828	353,727	675,869	208,214,396	37,556,800
Depreciation	55,844	2,162	-	-	-	6,044,741	1,270,487
Total	<u>\$ 4,604,760</u>	<u>\$ 8,092,155</u>	<u>\$ 699,828</u>	<u>\$ 353,727</u>	<u>\$ 675,869</u>	<u>\$ 214,259,137</u>	<u>\$ 38,827,287</u>

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, 2021

	Fundraising	Total Expenses
Salaries and wages	\$ 2,379,907	\$ 156,203,802
Employee benefits	555,145	38,838,461
Clothing allowance	-	41,849
Communications	147,882	2,946,843
Contribution expense	-	5,490,419
General insurance	-	1,807,325
Miscellaneous	-	3,875,599
Professional services	257,050	13,853,226
Rent	32,443	2,584,137
Repairs and maintenance	104,709	8,505,323
Supplies	231,107	6,095,924
Training and seminars	1,710	1,368,471
Travel	32,208	5,175,481
Bad debt expense	-	1,133,165
Special events direct costs	49,887	49,887
Utilities	-	1,593,332
	<u>3,792,048</u>	<u>249,563,244</u>
Less: costs of direct benefits to donors	<u>49,887</u>	<u>49,887</u>
Total functional expenses before depreciation	3,742,161	249,513,357
Depreciation	<u>4,214</u>	<u>7,319,442</u>
Total	<u>\$ 3,746,375</u>	<u>\$ 256,832,799</u>

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, 2020

	Dogwood Residential	Bartlett Campus Residential	Bill's Place Residential	Rose Center for Girls Residential	Inner Harbour	Other Residential	Day Treatment (MS)
Salaries and wages	\$ 6,050,696	\$ 7,374,339	\$ 8,417,489	\$ 6,594,981	\$ 12,581,807	\$ 128,323	\$ 134,906
Employee benefits	1,396,428	1,960,430	2,076,728	1,560,722	4,001,630	58,625	27,767
Clothing allowance	32,802	29,961	-	-	-	-	-
Communications	58,373	90,086	27,646	26,535	47,953	2,786	1,830
Contribution expense	-	-	-	-	-	-	-
General insurance	75,969	164,704	75,860	66,585	182,177	51,767	622
Miscellaneous	74,415	151,693	137,679	77,434	112,558	36,384	659
Professional services	167,258	178,962	215,031	218,945	721,594	45,372	-
Rent	108,000	-	-	-	-	3,488	-
Repairs and maintenance	318,937	472,211	299,348	193,260	448,619	145,340	-
Supplies	642,065	781,993	753,947	710,385	1,485,079	5,616	586
Training and seminars	28,321	23,624	50,628	30,392	34,151	621	449
Travel	79,604	153,932	69,977	49,843	126,114	15,715	8,088
Bad debt expense	34,736	75,086	59,096	63,286	73,443	-	-
Special events direct costs	-	-	-	-	-	-	-
Utilities	124,273	175,759	253,439	179,204	231,690	95,069	-
	<u>9,191,877</u>	<u>11,632,780</u>	<u>12,436,868</u>	<u>9,771,572</u>	<u>20,046,815</u>	<u>589,106</u>	<u>174,907</u>
Less: costs of direct benefits to donors	-	-	-	-	-	-	-
Total functional expenses before depreciation	9,191,877	11,632,780	12,436,868	9,771,572	20,046,815	589,106	174,907
Depreciation	<u>403,071</u>	<u>566,846</u>	<u>1,036,785</u>	<u>547,300</u>	<u>922,746</u>	<u>591,483</u>	<u>-</u>
Total	<u>\$ 9,594,948</u>	<u>\$ 12,199,626</u>	<u>\$ 13,473,653</u>	<u>\$ 10,318,872</u>	<u>\$ 20,969,561</u>	<u>\$ 1,180,589</u>	<u>\$ 174,907</u>

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, 2020

	Therapeutic Foster Care	In-Home Services	Wrap-Around Services	Group Homes	Adoptions	LifeSet	Mentoring
Salaries and wages	\$ 5,711,264	\$ 38,746,313	\$ 7,438,530	\$ 3,357,543	\$ 390,267	\$ 11,241,234	\$ 292,053
Employee benefits	1,491,907	10,182,633	1,970,032	788,846	91,042	2,857,013	69,448
Clothing allowance	-	-	-	-	-	-	-
Communications	141,840	968,524	225,062	64,311	6,330	298,329	3,631
Contribution expense	-	-	-	-	-	-	-
General insurance	35,924	215,329	40,298	36,406	3,314	53,746	-
Miscellaneous	340,107	721,541	106,826	57,436	7,479	612,266	13,183
Professional services	6,678,513	663,697	263,890	5,710	68	50,474	-
Rent	108,703	1,391,952	399,642	18,000	-	447,664	-
Repairs and maintenance	88,300	552,016	116,763	126,361	-	146,298	14,232
Supplies	144,534	429,210	65,016	272,975	1,222	99,559	736
Training and seminars	134,160	774,675	81,466	23,620	2,800	100,802	3,204
Travel	428,467	3,886,579	1,008,739	87,113	14,987	989,234	3,869
Bad debt expense	-	128,622	54,863	-	-	-	-
Special events direct costs	-	-	-	-	-	-	-
Utilities	17,293	121,458	18,860	55,257	-	34,694	-
	<u>15,321,012</u>	<u>58,782,549</u>	<u>11,789,987</u>	<u>4,893,578</u>	<u>517,509</u>	<u>16,931,313</u>	<u>400,356</u>
Less: costs of direct benefits to donors	-	-	-	-	-	-	-
Total functional expenses before depreciation	15,321,012	58,782,549	11,789,987	4,893,578	517,509	16,931,313	400,356
Depreciation	37,108	311,071	57,444	178,286	-	76,711	-
Total	<u>\$ 15,358,120</u>	<u>\$ 59,093,620</u>	<u>\$ 11,847,431</u>	<u>\$ 5,071,864</u>	<u>\$ 517,509</u>	<u>\$ 17,008,024</u>	<u>\$ 400,356</u>

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, 2020

	Crisis Services	Partners	GuideTree	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 3,422,196	\$ 1,587,196	\$ 33,288	\$ 113,502,425	\$ 17,375,180	\$ 2,111,682	\$ 132,989,287
Employee benefits	813,775	361,590	2,511	29,711,127	3,638,770	500,968	33,850,865
Clothing allowance	-	-	-	62,763	-	-	62,763
Communications	79,554	26,316	304	2,069,410	524,417	177,156	2,770,983
Contribution expense	-	3,255,832	-	3,255,832	-	-	3,255,832
General insurance	22,993	3,976	-	1,029,670	253,929	-	1,283,599
Miscellaneous	33,101	124,383	79	2,607,223	879,959	-	3,487,182
Professional services	68,134	207,432	920,403	10,405,483	3,331,274	188,622	13,925,379
Rent	71,555	54,030	-	2,603,034	(140,580)	32,327	2,494,781
Repairs and maintenance	70,957	118,040	2,571	3,113,253	5,065,152	85,121	8,263,526
Supplies	11,998	1,594	-	5,406,515	739,688	138,019	6,284,222
Training and seminars	56,800	26,492	-	1,372,205	405,559	9,896	1,787,660
Travel	191,808	179,706	1,567	7,295,342	600,882	86,223	7,982,447
Bad debt expense	-	-	-	489,132	-	-	489,132
Special events direct costs	-	-	-	-	-	1,709,819	1,709,819
Utilities	17,472	-	-	1,324,468	238,353	684	1,563,505
	<u>4,860,343</u>	<u>5,946,587</u>	<u>960,723</u>	<u>184,247,882</u>	<u>32,912,583</u>	<u>5,040,517</u>	<u>222,200,982</u>
Less: costs of direct benefits to donors	-	-	-	-	-	1,709,819	1,709,819
Total functional expenses before depreciation	4,860,343	5,946,587	960,723	184,247,882	32,912,583	3,330,698	220,491,163
Depreciation	57,258	9,066	-	4,795,175	1,127,326	8,429	5,930,930
Total	<u>\$ 4,917,601</u>	<u>\$ 5,955,653</u>	<u>\$ 960,723</u>	<u>\$ 189,043,057</u>	<u>\$ 34,039,909</u>	<u>\$ 3,339,127</u>	<u>\$ 226,422,093</u>

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

YOUTH VILLAGES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS

June 30, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities:		
Change in net assets	\$ 81,955,397	\$ 18,320,928
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	7,319,442	5,930,930
Unrealized gain (loss) on investments	(63,629,198)	2,166,480
Realized gain on investments	(258)	(467,699)
Gain on disposal of property and equipment	(992,050)	(55,220)
Changes in operating assets and liabilities:		
(Increase) decrease in :		
Receivables	(3,215,610)	(5,377,948)
Prepaid expenses	(363,073)	(241,265)
Increase (decrease) in :		
Accounts payable	(156,913)	(23,246)
Accrued salaries and compensated balances	3,834,316	2,558,726
Accrued retirement plan contributions	(1,838,289)	169,384
Accrued and withheld taxes	(217,403)	81,742
Accrued other expenses	(522,073)	111,214
Deferred revenue	238,476	(73,981)
Total adjustments	(59,542,633)	4,779,117
Net cash provided by operating activities	22,412,764	23,100,045
Cash Flows From Investing Activities:		
Purchase of property and equipment	(11,324,122)	(18,746,725)
Proceeds from the sale of property and equipment	447,364	1,563,091
Investment in securities	(52,784,377)	(202,732,490)
Proceeds from sales of securities	22,382,840	203,287,420
Increase in sundry assets	(336,124)	(414,123)
Net cash used for investing activities	(41,614,419)	(17,042,827)
Net increase (decrease) in cash and cash equivalents	(19,201,655)	6,057,218
Cash and cash equivalents at beginning of the year	61,061,523	55,004,305
Cash and cash equivalents at end of the year	\$ 41,859,868	\$ 61,061,523
Noncash investing activity:		

During the year ended June 30, 2021, the Organization sold a parcel of real estate and accepted a note receivable in the amount of \$2,175,000 from the buyer as partial payment of the selling price.

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

YOUTH VILLAGES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

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 LifeSet 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, Massachusetts, 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, Arkansas, Arizona, California, Colorado, Connecticut, Florida, Idaho, Indiana, Kentucky, Mississippi, New Hampshire, North Carolina, Ohio, Oklahoma, Rhode Island, Virginia, West Virginia, Washington, Wisconsin, and the District of Columbia. Payments for residential services are provided through contracts and/or through Medicaid and private insurance carriers as services are rendered.

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 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 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, Massachusetts, Mississippi, New Hampshire, North Carolina, Ohio, Oklahoma, Oregon, and Tennessee.

The Adoptions program is in Tennessee and allows for many children in foster care to be adopted by their foster parents. The In-Home Services program also provides intensive in-home services to help stabilize adoptive homes in some state foster care systems.

As children grow into young adults, the Organization recognized their changing needs by developing the LifeSet 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 Georgia, Massachusetts, Mississippi, 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 Partners program started in January 2016 and allows for the LifeSet model to be implemented by public or private child welfare organizations for a fee.

The Organization's GuideTree program started in 2020. GuideTree is a new clinical evaluation platform tool that was created in-house from the Organization's years of experience with clinical evaluations. GuideTree has two critical elements that help power many of the Organization's programs: the Clinical Evaluation Portal that includes the Organization's clinical conceptualization model and the Organization's consultation process with Licensed Program Experts.

The Organization's New Allies and Memphis Allies programs are new in 2021. These two programs were created to aid youth affected by the juvenile justice system and gun violence.

Basis of Consolidation

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

Method of Accounting and Basis of Presentation

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

Use of Estimates

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 \$40,524,413 and \$39,532,658 as of June 30, 2021 and 2020, 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 \$2,000 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 Allowance for Doubtful Accounts

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 existing 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. Such receivables held a balance of \$34,439,437 and \$27,002,331 at June 30, 2021 and 2020, 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 \$409,117 and \$342,630 was established at June 30, 2021 and 2020, 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 2021 and 2020, there were no 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 \$681,658 and \$335,669 for the years ended June 30, 2021 and 2020, 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 an exempt return 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 Pronouncements

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and non-lease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021. The Organization is evaluating the impact the standard will have on the consolidated financial statements and expects the standard to have a material impact due to the recognition of additional assets and liabilities for operating leases.

The Financial Accounting Standards Board has issued Accounting Standards Update (ASU) No. 2020-07 (Topic 958) – *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which enhances presentation and disclosure requirements for not-for-profit entities that receive contributed nonfinancial assets. The main provisions require entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and to disclose additional details including a disaggregation of the various types of contributed nonfinancial assets and whether those assets were monetized or utilized, among others. The amendments will be effective for fiscal years beginning after June 15, 2021. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial statements.

Date of Management's Review

The Organization evaluated its June 30, 2021, consolidated financial statements for subsequent events through December 13, 2021, 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, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 41,859,868	\$ 61,061,523
Receivables		
Promises to give, current portion	12,931,666	10,004,121
Grantor agencies, net of allowance	1,913,568	2,913,267
Contract receivables, net of allowance	34,439,437	25,711,903
Notes receivable, current portion	32,753	-
Other	507,000	1,260,592
Investments	<u>286,148,437</u>	<u>192,117,444</u>
	<u>377,832,729</u>	<u>293,068,850</u>
Less: donor restricted cash and investments	(40,524,413)	(39,532,658)
Less: donor restricted promises to give	<u>(8,931,670)</u>	<u>(2,004,120)</u>
Available for general expenditure	<u>\$ 328,376,646</u>	<u>\$ 251,532,072</u>

The Entity's goal is generally to maintain financial assets to meet 90-180 days of operating expenses (currently approximately \$65,000,000 to \$128,000,000). As part of its liquidity plan, excess cash is held in reserve or short-term investments.

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, 2021 and 2020.

NOTE 3 – PROMISES TO GIVE

In 2016, the Organization began a capital campaign to fund the construction to expand the Bill's Place Residential Treatment Program. Promises to give are restricted to payment of the costs of 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 0.30% based on expected payments.

Promises to give are due as follows at June 30, 2021:

2022	\$	13,191,408
2023		1,381,055
2024		668,472
2025		490,900
2026		143,500
Thereafter		300,000
	\$	<u>16,175,335</u>
Promises to give, current portion, net of allowance of \$259,742	\$	12,931,666
Promises to give, long-term	\$	2,983,927
Less discount to present value		(131,306)
Less allowance, non-current		(149,379)
	\$	<u>2,703,242</u>

As of June 30, 2020, total promises to give were \$19,393,541, net of a discount to present value of \$69,790 and the allowance of \$342,630.

NOTE 4 – CONDITIONAL PROMISES TO GIVE AND INTENTIONS TO GIVE

During 2018, the Organization received a conditional promise to help support LifeSet services to 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. For each of the years ended June 30, 2021 and 2020, the amounts received and recorded by the Organization related to this agreement totaled \$500,000. As of June 30, 2021 and 2020, the Organization had outstanding commitments of \$500,000 and \$1,000,000, 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, 2021, the amount received and recorded by the Organization related to this agreement totaled \$500,000. As of June 30, 2020, the Organization had an outstanding commitment of \$500,000, which was fully received and no other commitments have been made.

During 2020, the Organization continued the growth capital campaign in its efforts to further expand its LifeSet 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, 2021 and 2020, the amount received and recorded by the Organization related to this agreement totaled \$17,000,000 and \$14,000,000, respectively. As of June 30, 2021 and 2020, the Organization had outstanding commitments of \$35,000,000 and \$52,000,000, respectively.

NOTE 5 – INVESTMENTS

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

	2021	
	Cost	Market Value
Mutual funds	\$ 139,591,535	\$ 160,989,145
Equity securities	5,068,977	11,598,136
Private equity funds and master limited partnerships	76,815,985	113,514,832
Hedge funds	35,260	-
Real estate investment trusts	95,920	46,324
Total	<u>\$ 221,607,677</u>	<u>\$ 286,148,437</u>
Cumulative unrealized gain on investments		<u>\$ 64,540,760</u>

	2020	
	Cost	Market Value
Mutual funds	\$ 107,631,493	\$ 101,252,271
Equity securities	4,244,101	7,812,384
Private equity funds and master limited partnerships	66,684,774	71,082,805
Hedge funds	5,747,570	11,885,867
Real estate investment trusts	95,920	84,117
Total	<u>\$ 184,403,858</u>	<u>\$ 192,117,444</u>
Cumulative unrealized gain on investments		<u>\$ 7,713,586</u>

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 2021 and 2020, the Organization recognized a net gain (loss) of (\$15,102) and \$2,869,962, respectively, from fair value hedges which are included in “Net gain (loss) on investments” in the consolidated statements of activities.

At June 30, 2021 and 2020, the Foundation had commitments to fund private equity and real estate investment trusts of \$17,324,163 and \$16,076,290, 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, 2021.

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, 2021 and 2020.

Assets at Fair Value as of June 30, 2021

	Level 1	Level 2	Level 3	Assets Measured at Net Asset Value	Total
Mutual funds	\$ 160,989,145	\$ -	\$ -	\$ -	\$ 160,989,145
Equity securities	11,598,136	-	-	-	11,598,136
Private equity funds and master limited partnerships at NAV	-	-	-	113,514,832	113,514,832
Real estate investment trusts at NAV	-	-	-	46,324	46,324
Total assets at fair value	\$ 172,587,281	\$ -	\$ -	\$ 113,561,156	\$ 286,148,437

Assets at Fair Value as of June 30, 2020

	Level 1	Level 2	Level 3	Assets Measured at Net Asset Value	Total
Mutual funds	\$ 101,252,271	\$ -	\$ -	\$ -	\$ 101,252,271
Equity securities	7,812,384	-	-	-	7,812,384
Private equity funds and master limited partnerships at NAV	-	-	-	71,082,805	71,082,805
Hedge funds at NAV	-	-	-	11,885,867	11,885,867
Real estate investment trusts at NAV	-	-	-	84,117	84,117
Total assets at fair value	\$ 109,064,655	\$ -	\$ -	\$ 83,052,789	\$ 192,117,444

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

	2021			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Private equity funds and master limited partnerships	\$ 113,514,832	\$ 17,244,163	Monthly, quarterly, annually, or as provided	30-90 days
Real estate investment trusts	46,324	80,000	As provided	Not applicable
	<u>\$ 113,561,156</u>	<u>\$ 17,324,163</u>		
	2020			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Private equity funds and master limited partnerships	\$ 71,082,805	\$ 15,996,290	Monthly, quarterly, annually, or as provided	30-90 days
Real estate investment trusts	84,117	80,000	As provided	Not applicable
Hedge funds	11,885,867	-	Quarterly, annually, or as provided	60-180 days
	<u>\$ 83,052,789</u>	<u>\$ 16,076,290</u>		

Private Equity and Master Limited Partnerships

Youth Villages, Inc. and Affiliates invest in several private equity and master limited partnership funds that invest 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:

	<u>2021</u>	<u>2020</u>
Land	\$ 7,648,625	\$ 8,305,138
Buildings	114,587,823	101,335,292
Equipment and vehicles	28,566,626	27,287,479
Furniture and fixtures	12,892,364	11,293,449
Construction in progress	<u>2,256,033</u>	<u>8,993,194</u>
	165,951,471	157,214,552
Less accumulated depreciation	<u>(70,088,755)</u>	<u>(63,726,202)</u>
	<u>\$ 95,862,716</u>	<u>\$ 93,488,350</u>

Construction in progress primarily consists of various construction projects including the Dogwood Campus Recreation/Activity Center, Workday Software Implementation, and other miscellaneous projects. As of June 30, 2021, the estimated cost to complete these projects was approximately \$590,000.

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, 2021, with all subsequent interest payments to be due on the same day of each month thereafter. The line of credit matures on March 31, 2022, with all outstanding principal plus all accrued unpaid interest due on that date. Interest is equal to the one-month LIBOR rate plus 1.5%. As of June 30, 2021, the rate was 0.09%. The note is unsecured. As of June 30, 2021 and 2020, there were no draws on this line of credit.

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, 2021. As of June 30, 2021 and 2020, there were no drawings made by the beneficiary.

NOTE 10 – NET ASSETS

As of June 30, 2021 and 2020, net assets without donor restriction, designated by the board are, \$6,687,544 and \$6,408,097, respectively. These whole amounts have been designated to pay benefits to key employees upon termination of employment.

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

	<u>2021</u>	<u>2020</u>
Purpose Restrictions:		
Growth Capital Campaign	\$ -	\$ 314,822
LifeSet	17,564,499	21,742,177
Capital Projects	457,623	517,792
Bills' Place Campaign	2,412,865	3,927,068
Janie's Fund	3,276,570	2,833,227
Blue Meridian Partners/Growth Capital Campaign III	28,001,009	21,591,112
Time Restrictions	4,000,000	8,000,000
Perpetual in Nature - ChristieCare Land	78,000	78,000
	<u>\$ 55,790,566</u>	<u>\$ 59,004,198</u>

The amount that is perpetual in nature consisted of Oregon land acquired through the merger with ChristieCare. The land is limited under the deed from encumbrance, mortgage, or transfer of title without prior written consent.

NOTE 11 – LEASE COMMITMENTS

The Organization maintains various lease agreements for certain administrative and operating facilities in Alabama, Arkansas, District of Columbia, Georgia, Florida, Indiana, Kentucky, Louisiana, Mississippi, North Carolina, New Hampshire, Ohio, Oklahoma, Oregon, and Tennessee. Total rental expense for such real property was \$2,584,112 and \$2,493,781 for the years ended June 30, 2021 and 2020, respectively. Certain leases are subject to rental escalation clauses in future years.

Minimum lease commitments in fiscal years subsequent to June 30, 2021 are as follows:

2022	\$	1,853,370
2023		1,501,261
2024		863,353
2025		417,042
2026		124,726
Thereafter		23,640
	\$	<u>4,783,392</u>

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

Youth Villages Retirement Plan (the “Plan”) is a defined contribution retirement plan which covers substantially all employees that have completed one year of service and have attained the age of twenty-one. Contributions were made at the discretion of management and the Board of Directors for the period July 1, 2020 through December 31, 2020. Effective January 1, 2021, Plan Trustees adopted a new 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, 2021 and 2020 were \$4,423,111 and \$4,245,782, 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 \$29,344,599 and \$25,886,401 to Youth Villages, Inc. for the years ended June 30, 2021 and 2020, respectively. Also, Youth Villages, Inc. and Youth Villages Foundation Inc. have intercompany receivables/payables which totaled \$84,042,894 and \$60,072,777 as of June 30, 2021 and 2020, 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 serve on the Board of Directors of the Organization. The amount of funds maintained at these institutions at June 30, 2021 and 2020 was \$36,234,598 and \$28,305,541 respectively. 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 \$289,663 and \$289,663 for the years ended June 30, 2021 and 2020, respectively.

The Organization purchased landscaping services from a company owned by a relative of a member of the Board of Directors of the Organization. The amounts paid totaled \$37,413 and \$0 for the years ended June 30, 2021 and 2020, respectively.

The Organization purchased medical supplies from a company owned by a relative of a member of management of the Organization. The amounts paid totaled \$0 and \$135,675 for the years ended June 30, 2021 and 2020, respectively.

The Organization purchased consulting services from a company owned by a relative of a member of management of the Organization. The amounts totaled \$384,000 and \$0 for the years ended June 30, 2021 and June 30, 2020, respectively.

NOTE 15 – INSURANCE POLICIES

Youth Villages, Inc. maintains life insurance policies on certain key employees of the Organization. As of June 30, 2021 and 2020, the cash value of these policies totaled \$6,687,544 and \$6,408,097, 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, 2021 and 2020, revenues from the State of Tennessee were \$109,028,339, and \$99,788,376, respectively. These revenues represented 39% and 41% of total revenue for Youth Villages, Inc. for the years ended June 30, 2021 and 2020, 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 39% in 2021. 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 29% and 26% of Youth Villages, Inc.’s total revenue for the years ended June 30, 2021 and 2020, 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.

In March of 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of the Coronavirus, a pandemic. The extent of the impact of the outbreak on the Organization’s contributions and revenues will depend on certain developments, including the duration and spread of the outbreak, impact on the Organization’s donors, employees, and vendors. The financial statements do not reflect any adjustments as a result of the continuing economic uncertainty related to the Coronavirus.

SUPPLEMENTAL INFORMATION

YOUTH VILLAGES, INC. AND AFFILIATES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

June 30, 2021

	Youth Villages, Inc.	Youth Villages Foundation, Inc.	Eliminations	Total
Current Assets				
Cash and cash equivalents	\$ 4,537,525	\$ 37,322,343	\$ -	\$ 41,859,868
Receivables				
Affiliate	84,042,894	-	(84,042,894)	-
Promises to give, current portion	-	12,931,666	-	12,931,666
Grantor agencies	1,913,568	-	-	1,913,568
Contract receivables	34,439,437	-	-	34,439,437
Notes receivable, current	32,753	-	-	32,753
Other	507,000	-	-	507,000
Investments	-	286,148,437	-	286,148,437
Prepaid expenses	2,063,753	7,963	-	2,071,716
Total current assets	<u>127,536,930</u>	<u>336,410,409</u>	<u>(84,042,894)</u>	<u>379,904,445</u>
Property and Equipment				
Land	7,648,625	-	-	7,648,625
Buildings	114,587,823	-	-	114,587,823
Equipment and vehicles	28,417,039	149,587	-	28,566,626
Furniture and fixtures	12,834,570	57,794	-	12,892,364
Construction in progress	2,256,033	-	-	2,256,033
	<u>165,744,090</u>	<u>207,381</u>	<u>-</u>	<u>165,951,471</u>
Accumulated depreciation	<u>(69,927,129)</u>	<u>(161,626)</u>	<u>-</u>	<u>(70,088,755)</u>
Total property and equipment	<u>95,816,961</u>	<u>45,755</u>	<u>-</u>	<u>95,862,716</u>
Other Assets				
Promises to give, net of current portion	-	2,703,242	-	2,703,242
Notes receivable, long-term	2,142,247	-	-	2,142,247
Other	7,633,525	-	-	7,633,525
Total other assets	<u>9,775,772</u>	<u>2,703,242</u>	<u>-</u>	<u>12,479,014</u>
Total assets	<u>\$ 233,129,663</u>	<u>\$ 339,159,406</u>	<u>\$ (84,042,894)</u>	<u>\$ 488,246,175</u>

See independent auditor's report.

	Youth Villages, Inc.	Youth Villages Foundation, Inc.	Eliminations	Total
Current Liabilities				
Accounts payable	\$ 4,947,034	\$ 69,836	\$ -	\$ 5,016,870
Accounts payable - affiliate	-	84,042,894	(84,042,894)	-
Accrued salaries and compensated absences	13,323,635	127,855	-	13,451,490
Accrued retirement plan contributions	398,970	9,069	-	408,039
Accrued and withheld taxes	11,187	24,465	-	35,652
Accrued other expenses	2,645,575	28,455	-	2,674,030
Deferred revenue	270,046	-	-	270,046
Total current liabilities	<u>21,596,447</u>	<u>84,302,574</u>	<u>(84,042,894)</u>	<u>21,856,127</u>
Net Assets				
Without donor restrictions	211,533,216	199,066,266	-	410,599,482
With donor restrictions	-	55,790,566	-	55,790,566
Total net assets	<u>211,533,216</u>	<u>254,856,832</u>	<u>-</u>	<u>466,390,048</u>
Total liabilities and net assets	<u>\$ 233,129,663</u>	<u>\$ 339,159,406</u>	<u>\$ (84,042,894)</u>	<u>\$ 488,246,175</u>

YOUTH VILLAGES, INC. AND AFFILIATES
CONSOLIDATING SCHEDULE OF ACTIVITIES

For the Year Ended June 30, 2021

	Youth Villages Inc.	Youth Villages Foundation Inc.	Eliminations	Total
Net Assets Without Donor Restrictions				
Revenues and Support				
State of Tennessee contract revenue	\$ 87,454,628	\$ -	\$ -	\$ 87,454,628
Contract revenue	63,634,411	-	-	63,634,411
TennCare revenue	21,573,711	-	-	21,573,711
Medicaid revenue	58,482,696	-	-	58,482,696
Net private insurance	4,960,424	-	-	4,960,424
Grants	5,558,594	-	-	5,558,594
USDA	1,019,119	-	-	1,019,119
Other - local education authority, county, city, provider agency	2,751,500	-	-	2,751,500
Donations and promises to give	29,344,599	4,704,548	(29,344,599)	4,704,548
Special events revenue	-	604,069	-	604,069
Less: costs of direct benefits to donors	-	(49,887)	-	(49,887)
Net revenues from special events	-	554,182	-	554,182
Dividends and interest on investments	-	866,548	-	866,548
Net gain on investments	-	62,837,684	-	62,837,684
Gain on sale of fixed assets	992,050	-	-	992,050
Miscellaneous income	1,383,833	50,122	-	1,433,955
	277,155,565	69,013,084	(29,344,599)	316,824,050
Net assets released from donor restrictions	-	25,177,778	-	25,177,778
Total revenues and support	277,155,565	94,190,862	(29,344,599)	342,001,828
Expenses				
Charitable contributions	-	29,344,599	(29,344,599)	-
Program services	214,259,137	-	-	214,259,137
Management and general	37,958,395	868,892	-	38,827,287
Fundraising	-	3,746,375	-	3,746,375
Total expenses	252,217,532	33,959,866	(29,344,599)	256,832,799
Change in net assets without donor restrictions	24,938,033	60,230,996	-	85,169,029

See independent auditor's report.

YOUTH VILLAGES, INC. AND AFFILIATES
CONSOLIDATING SCHEDULE OF ACTIVITIES (CONTINUED)

For the Year Ended June 30, 2021

	Youth Villages Inc.	Youth Villages Foundation Inc.	Eliminations	Total
Net Assets With Donor Restrictions				
Donations and promises to give	-	21,964,146	-	21,964,146
Net assets released from donor restrictions	-	(25,177,778)	-	(25,177,778)
Change in net assets with donor restrictions	-	(3,213,632)	-	(3,213,632)
Change in net assets	24,938,033	57,017,364	-	81,955,397
Net assets - beginning of year	186,595,183	197,839,468	-	384,434,651
Net assets - end of year	\$ 211,533,216	\$ 254,856,832	\$ -	\$ 466,390,048

See independent auditor's report.

YOUTH VILLAGES, INC. AND AFFILIATES
CONSOLIDATING SCHEDULE OF CASH FLOWS

For the Year Ended June 30, 2021

	Youth Villages, Inc.	Youth Villages Foundation, Inc.	Eliminations	Total
Cash Flows From Operating Activities:				
Change in net assets	\$ 24,938,033	\$ 57,017,364	\$ -	\$ 81,955,397
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:				
Depreciation	7,315,228	4,214	-	7,319,442
Unrealized gain on investments	-	(63,629,198)	-	(63,629,198)
Realized gain on investments	-	(258)	-	(258)
Gain on disposal of property and equipment	(992,050)	-	-	(992,050)
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Receivables	(6,974,243)	3,758,633	-	(3,215,610)
Receivables - affiliate	(23,970,117)	-	23,970,117	-
Prepaid expenses	(383,901)	20,828	-	(363,073)
Increase (decrease) in:				
Accounts payable	253,061	(409,974)	-	(156,913)
Accounts payable - affiliate	-	23,970,117	(23,970,117)	-
Accrued salaries and comp absences	3,811,139	23,177	-	3,834,316
Accrued retirement plan contributions	(1,808,747)	(29,542)	-	(1,838,289)
Accrued and withheld taxes	(220,924)	3,521	-	(217,403)
Accrued other expenses	(529,385)	7,312	-	(522,073)
Deferred revenue	238,476	-	-	238,476
Total adjustments	<u>(23,261,463)</u>	<u>(36,281,170)</u>	<u>-</u>	<u>(59,542,633)</u>
Net cash provided by operating activities	1,676,570	20,736,194	-	22,412,764
Cash Flows From Investing Activities:				
Purchase of property and equipment	(11,324,122)	-	-	(11,324,122)
Proceeds from the sale of property and equipment	447,364	-	-	447,364
Investment in securities	-	(52,784,377)	-	(52,784,377)
Proceeds from sales of securities	-	22,382,840	-	22,382,840
Increase in sundry assets	(336,124)	-	-	(336,124)
Net cash used for investing activities	<u>(11,212,882)</u>	<u>(30,401,537)</u>	<u>-</u>	<u>(41,614,419)</u>
Net decrease in cash and cash equivalents	(9,536,312)	(9,665,343)	-	(19,201,655)
Cash and cash equivalents at beginning of the year	<u>14,073,837</u>	<u>46,987,686</u>	<u>-</u>	<u>61,061,523</u>
Cash and cash equivalents at end of the year	<u>\$ 4,537,525</u>	<u>\$ 37,322,343</u>	<u>\$ -</u>	<u>\$ 41,859,868</u>

See independent auditor's report.