YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

WATKINS UIBERALL
Certified Public Accountants
Independent Member of BKR International

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YOUTH VILLAGES, INC. AND AFFILIATES
ROSTER OF MANAGEMENT OFFICIALS

For the Year Ended June 30, 2023

Patrick Lawler, *Chief Executive Officer*
Greg Gregory, *Chief Financial Officer*
Jessica Foster, *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, 2023

WATKINS UIBERALL
Certified Public Accountants
Independent Member of BKR International

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, 2023 and 2022, 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, 2023 and 2022, 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Entity'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 Entity'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.

Report on 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, in a separate bound document, our report dated November 14, 2023, 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
November 14, 2023

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

Assets

	2023	2022
Current Assets		
Cash and cash equivalents	$ 60,628,434	$ 30,490,187
Receivables		
Promises to give, current portion	8,818,693	6,739,072
Grantor agencies	3,748,572	2,598,448
Contract receivables	33,773,183	38,279,410
Notes receivable, current	-	2,175,000
Other	2,953,968	1,345,160
Investments	347,371,124	294,567,354
Prepaid expenses	3,742,003	3,476,202
Total current assets	461,035,977	379,670,833
Property and equipment, net	92,648,677	94,733,985
Other Assets		
Promises to give, net of current portion	11,454,050	1,875,470
Right-of-use asset, non-current	9,499,150	-
Other	7,327,917	6,834,959
Total other assets	28,281,117	8,710,429
Total assets	$ 581,965,771	$ 483,115,247

Liabilities and Net Assets

	2023	2022
Current Liabilities		
Accounts payable	$ 5,446,360	$ 3,701,576
Accrued expenses	4,916,626	3,989,269
Deferred revenue	1,157,426	2,565,048
Other liabilities	7,587,165	7,471,220
Lease liabilities	2,935,573	-
Payroll liabilities	10,781,237	7,691,531
Total current liabilities	32,824,387	25,418,644
Long-Term Liabilities		
Lease liabilities	6,638,947	-
Net Assets		
Without donor restrictions	445,409,998	398,691,318
With donor restrictions	97,092,439	59,005,285
Total net assets	542,502,437	457,696,603
Total liabilities and net assets	$ 581,965,771	$ 483,115,247

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, 2023 and 2022

	2023	2022
Net Assets Without Donor Restrictions		
Revenues and Support		
State of Tennessee contract revenue	$ 117,340,078	$ 94,584,105
Contract revenue	76,903,366	59,674,672
Tenncare revenue	21,530,511	20,665,708
Medicaid revenue	63,439,487	59,555,613
Net private insurance	6,344,638	6,916,787
USDA & Grants	18,816,469	12,725,534
Other - local education authority, county, city, provider agency	2,715,341	2,202,608
Special events revenue	1,164,735	4,899,122
Less: costs of direct benefits to donors	(491,954)	(2,057,812)
Net revenues (loss) from special events	672,781	2,841,310
Dividends and interest on investments	1,620,907	97,486
Net gain (loss) on investments	28,352,225	(22,863,332)
Gain on sale of fixed assets	1,448,570	37,500
Miscellaneous income	396,081	385,484
	339,580,454	236,823,475
Net assets released from donor restrictions	34,318,689	33,012,812
Total revenues and support	373,899,143	269,836,287
Expenses		
Program services	276,418,107	241,515,673
Management and general	45,778,607	35,925,450
Fundraising	4,983,749	4,303,328
Total expenses	327,180,463	281,744,451
Change in net assets without donor restrictions	$ 46,718,680	$ (11,908,164)

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, 2023 and 2022

	2023	2022
Net Assets With Donor Restrictions		
Donations and pledges	$ 72,405,843	$ 36,227,531
Net assets released from donor restrictions	(34,318,689)	(33,012,812)
Change in net assets with donor restrictions	38,087,154	3,214,719
Change in net assets	84,805,834	(8,693,445)
Net assets - beginning of year	457,696,603	466,390,048
Net assets - end of year	$ 542,502,437	$ 457,696,603

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	-	-	-	-	-	-
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	-
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
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
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 STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022

	Dogwood Residential	Bartlett Campus Residential	Bill's Place Residential	Rose Center for Girls Residential	Inner Harbour	Other Residential
Salaries & Wages	$ 7,221,116	$ 8,639,969	$ 11,681,553	$ 7,513,779	$ 14,990,924	$ 74,364
Fringe Benefits	1,597,387	2,055,774	2,679,866	1,604,760	3,464,584	16,310
Professional Services	199,672	165,615	389,202	233,943	822,349	3,660
Advertising	115,500	122,321	125,067	122,309	65,676	-
Supplies	26,543	58,422	42,412	28,719	30,363	1,568
Communications	44,206	68,451	23,105	24,365	72,002	13,269
Travel	49,542	73,990	46,115	37,381	102,640	2,287
Occupancy	253,033	286,772	307,957	235,973	262,910	74,222
Maintenance	462,618	674,079	409,068	219,134	516,274	48,242
Program Expenses	649,713	837,383	822,737	651,403	1,411,225	-
Parent Contracting	-	-	-	-	-	-
Training & Seminars	14,250	11,246	17,581	16,149	64,779	-
Other Operating Expenses	48,891	65,184	95,453	56,889	128,207	14,076
Insurance	237,612	525,031	585,546	180,355	588,163	60,793
Bad Debt Expense	21,433	86,975	127,983	54,732	186,688	-
Partners Blue Meridian Support	-	-	-	-	-	-
Total functional expenses before depreciation	10,941,516	13,671,212	17,353,645	10,979,891	22,706,784	308,791
Depreciation	535,784	774,512	2,156,468	644,596	871,021	490,491
Total	$ 11,477,300	$ 14,445,724	$ 19,510,113	$ 11,624,487	$ 23,577,805	$ 799,282

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, 2022

	Therapeutic Foster Care	In-Home Services	Wrap-Around Services	Group Homes	Transition-Age Services	Crisis Services
Salaries & Wages	$ 7,391,678	$ 49,725,484	$ 12,206,585	$ 4,095,833	$ 15,358,513	$ 3,352,739
Fringe Benefits	1,846,834	11,929,594	3,162,751	894,738	3,786,501	882,443
Professional Services	254,539	781,320	369,749	32,392	153,354	74,037
Advertising	482,995	771,534	80,017	16,532	172,449	33,994
Supplies	56,265	291,287	58,522	7,664	109,178	10,161
Communications	158,445	856,963	242,091	27,046	267,244	55,449
Travel	505,070	4,343,585	1,529,097	106,465	1,114,098	55,645
Occupancy	156,097	1,569,185	453,729	100,919	736,028	69,551
Maintenance	182,020	895,030	181,195	193,552	252,265	64,772
Program Expenses	207,818	387,003	33,675	287,518	1,304,941	1,648
Parent Contracting	7,321,268	-	-	56	-	-
Training & Seminars	40,158	203,736	59,421	16,828	66,430	7,670
Other Operating Expenses	226,620	458,554	111,385	35,768	135,622	19,843
Insurance	94,891	1,030,839	314,937	110,717	184,889	70,782
Bad Debt Expense	3,456	70,528	5,273	-	10,236	-
Partners Blue Meridian Support	-	-	-	-	555,400	-
Total functional expenses before depreciation	18,928,154	73,314,642	18,808,427	5,926,028	24,207,148	4,698,734
Depreciation	186,548	430,276	82,179	227,081	94,150	60,040
Total	$ 19,114,702	$ 73,744,918	$ 18,890,606	$ 6,153,109	$ 24,301,298	$ 4,758,774

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, 2022

	Strategic Partnerships	Memphis Allies/ SWITCH	Other Programs	Total Program Services
Salaries & Wages	$ 1,745,061	$ 791,194	$ 1,436,873	$ 146,225,665
Fringe Benefits	487,102	204,455	414,465	35,027,564
Professional Services	131,437	1,020,120	303,529	4,934,918
Advertising	-	15,575	9,048	2,133,017
Supplies	1,862	11,193	2,147	736,306
Communications	19,439	14,957	19,899	1,906,931
Travel	90,523	29,302	84,427	8,170,167
Occupancy	2,565	16,208	472	4,525,621
Maintenance	12,422	21,839	46,024	4,178,534
Program Expenses	-	2,415	592,807	7,190,286
Parent Contracting	-	-	-	7,321,324
Training & Seminars	7,015	6,504	5,262	537,029
Other Operating Expenses	26,810	38,859	16,786	1,478,947
Insurance	19,798	8,001	18,118	4,030,472
Bad Debt Expense	-	-	-	567,304
Partners Blue Meridian Support	5,391,734	-	-	5,947,134
Total functional expenses before depreciation	7,935,768	2,180,622	2,949,857	234,911,219
Depreciation	1,522	29,767	20,019	6,604,454
Total	$ 7,937,290	$ 2,210,389	$ 2,969,876	$ 241,515,673

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, 2022

	Management and General	Fundraising	Total Expenses
Salaries & Wages	$ 19,259,855	$ 2,453,395	$ 167,938,915
Fringe Benefits	4,575,527	540,723	40,143,814
Professional Services	2,433,214	577,027	7,945,159
Advertising	391,407	24,270	2,548,694
Supplies	107,415	12,039	855,760
Communications	579,271	223,407	2,709,609
Travel	424,344	65,781	8,660,292
Occupancy	148,086	32,841	4,706,548
Maintenance	4,861,314	101,114	9,140,962
Program Expenses	9,766	-	7,200,052
Parent Contracting	-	-	7,321,324
Training & Seminars	435,057	11,523	983,609
Other Operating Expenses	708,811	261,208	2,448,966
Insurance	429,590	-	4,460,062
Bad Debt Expense	-	-	567,304
Partners Blue Meridian Support	-	-	5,947,134
Total functional expenses before depreciation	34,363,657	4,303,328	273,578,204
Depreciation	1,561,793	-	8,166,247
Total	$ 35,925,450	$ 4,303,328	$ 281,744,451

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, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	$ 84,805,834	$ (8,693,445)
Adjustments to Reconcile Change in Net Assets		
to Net Cash Provided By Operating Activities:		
Depreciation	8,209,737	8,166,247
Noncash lease expense	1,496,743	-
(Gain) loss on investments	(28,352,225)	22,863,332
Gain (loss) on disposal of property and equipment	(1,448,570)	(37,500)
Changes in operating assets and liabilities:		
(Increase) decrease in :		
Receivables	(9,910,906)	1,657,353
Prepaid expenses	(265,801)	(1,404,486)
Increase (decrease) in :		
Accounts payable	1,744,784	(1,315,298)
Accrued expenses	927,357	1,315,239
Deferred revenue	(1,407,622)	2,295,002
Other liabilities	115,945	7,061,067
Payroll liabilities	3,089,706	(5,793,493)
Total adjustments	(25,800,852)	34,807,463
Net cash provided by operating activities	59,004,982	26,114,018
Cash Flows From Investing Activities:		
Purchase of property and equipment	(6,748,420)	(6,901,524)
Proceeds from the sale of property and equipment	2,008,000	37,500
Payments on notes receivable	2,175,000	-
Investment in securities	(79,546,818)	(61,204,730)
Proceeds from sales of securities	55,141,028	29,922,481
Increase in sundry assets	(492,958)	662,574
Net cash used for investing activities	(27,464,168)	(37,483,699)
Cash Flows Used For Financing Activities:		
Principal payments on lease liabilities	(1,402,567)	-
Net increase (decrease) in cash and cash equivalents	30,138,247	(11,369,681)
Cash and cash equivalents at beginning of the year	30,490,187	41,859,868
Cash and cash equivalents at end of the year	$ 60,628,434	$ 30,490,187
Supplemental Disclosure of Cash Flow Information:		
Non-Cash Investing Activities:		
Acqusition of right of use assets under lease liabilities	$ 10,995,893	$ -

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

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 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, Colorado, Florida, Illinois, Indiana, 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 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, 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: Day Treatment, Core, FSW/FSS, Scholars, Mentoring, GuideTree, and New Allies.

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 $96,005,697 and $51,655,541 as of June 30, 2023 and 2022, 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 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 $33,773,183 and $38,279,410 at June 30, 2023 and 2022, respectively. Contract receivables as of July 1, 2021, the beginning of the earliest period presented, were $34,439,437.

The Organization evaluates the collectability of promises to give and makes adjustments to the assets accordingly. An allowance for uncollectible promises to give of $666,517 and $271,632 was established at June 30, 2023 and 2022, 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 2023 and 2022, 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 $3,259,254 and $2,548,694 for the years ended June 30, 2023 and 2022, 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

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, 2023, consolidated financial statements for subsequent events through November 14, 2023, 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:

	2023	2022
Cash and cash equivalents	$ 60,628,434	$ 30,490,187
Receivables		
Promises to give, current portion	8,818,693	6,739,072
Grantor agencies, net of allowance	3,748,572	2,598,448
Contract receivables, net of allowance	33,773,183	38,279,410
Notes receivable, current portion	-	2,175,000
Other	2,953,968	1,345,160
Investments	347,371,124	294,567,354
	457,293,974	376,194,631
Less: donor restricted cash and investments	(96,005,697)	(51,655,541)
Less: donor restricted promises to give	(7,243,939)	(5,572,380)
Available for general expenditure	$ 354,044,338	$ 318,966,710

The Entity's overall goal is to maintain one year's operating expenses ($327,000,000 currently) in cash and investments. The Entity holds liquid cash to meet one to two months' operating expenses (currently approximately $30,000,000 to $60,000,000). 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, 2023 and 2022.

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 4.13% based on expected payments.

Promises to give are due as follows at June 30, 2023:

2024	$	8,818,693
2025		6,853,798
2026		5,699,750
2027		695,000
2028		100,000
Thereafter		50,000
	$	22,217,241
Promises to give, current portion	$	8,818,693
Promises to give, long-term	$	13,398,548
Less discount to present value		(1,277,981)
Less allowance, non-current		(666,517)
	$	11,454,050

As of June 30, 2022, total promises to give were $8,614,542, net of a discount to present value of $168,171 and the allowance of $271,632.

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. For the years ended June 30, 2023 and 2022, the amounts received and recorded by the Organization related to this agreement totaled $2,500 and $10,000, respectively. As of June 30, 2023 and 2022, the Organization had outstanding commitments of $487,500 and $490,000, 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, 2022, 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 $502,500 and $500,000 relating to this new agreement during the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023, the Organization had an outstanding commitment of $497,500 which has not been recorded in the accompanying consolidated financial statements, nor will it be until the defined program accomplishments are 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, 2023 and 2022, the amount received and recorded by the Organization related to this agreement totaled $18,000,000 and $17,500,000, respectively. As of June 30, 2023 and 2022, the Organization had outstanding commitments of $19,500,00 and $17,500,000, respectively.

NOTE 5 – INVESTMENTS

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

	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
Equity securities		
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

	2022	
	Cost	Market Value
Fixed Income	$ 66,580,430	$ 61,889,803
Domestic Equity	72,886,601	84,032,511
International equity	18,176,831	23,385,566
Global equities	26,482,896	33,687,164
Equity securities		
Private equity funds and master limited partnerships	22,382,607	33,231,420
Hedge funds	37,665,743	40,622,096
Real estate investment trusts	14,710,960	17,718,794
Total	$ 258,886,068	$ 294,567,354
Cumulative unrealized gain on investments		$ 35,681,286

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 2023 and 2022, the Organization recognized a net gain (loss) of $2,391,248 and $(265,637) respectively, from fair value hedges which are included in "Net gain (loss) on investments" in the consolidated statements of activities.

At June 30, 2023 and 2022, the Foundation had commitments to fund private equity and real estate investment trusts of $11,737,911 and $16,422,977, 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, 2023.

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, 2023 and 2022.

	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

	Assets at Fair Value as of June 30, 2022				
	Level 1	Level 2	Level 3	Assets Measured at Net Asset Value	Total
Fixed Income	$ 61,889,803	$ -	$ -	$ -	$ 61,889,803
Domestic Equity	84,032,511	-	-	-	84,032,511
International equity at NAV	-	-	-	23,385,566	23,385,566
Global equity at NAV	-	-	-	33,687,164	33,687,164
Private equity funds and master limited partnerships at NAV	-	-	-	33,231,420	33,231,420
Hedge funds at NAV	-	-	-	40,622,096	40,622,096
Real estate investment trusts at NAV	-	-	-	17,718,794	17,718,794
Total assets at fair value	$ 145,922,314	$ -	$ -	$ 148,645,040	$ 294,567,354

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

	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	
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		

	2022			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
International equity	$ 23,385,566	$ -	Monthly or quarterly	15-60 days
Global Equity	33,687,164	2,414,079	Monthly, quarterly, as provided	6-60 days
Hedge Funds	40,622,096	-	Quarterly	
Private equity funds	33,231,420	8,319,859	Monthly, quarterly, annually, or as provided	30-180 days
Real estate investment trusts	17,718,794	5,689,039	Daily or as provided	Not applicable
	$ 148,645,040	$ 16,422,977		

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:

	2023	2022
Land	$ 8,498,831	$ 7,987,384
Buildings	121,280,229	118,724,379
Equipment and vehicles	31,286,215	30,857,892
Furniture and fixtures	13,351,096	12,691,051
Construction in progress	1,137,364	2,089,860
	175,553,735	172,350,566
Less accumulated depreciation	(82,905,058)	(77,616,581)
	$ 92,648,677	$ 94,733,985

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, 2023, the estimated cost to complete these projects was approximately $83,888,356.

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, 2023, with all subsequent interest payments to be due on the same day of each month thereafter. The line of credit matures on March 31, 2024, 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, 2023, the rate was 6.70%.

The note is unsecured. There were no draws on this line of credit during the years ended June 30, 2023 or 2022.

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, 2023. As of June 30, 2023 and 2022, there were no drawings made by the beneficiary.

NOTE 10 – NET ASSETS

As of June 30, 2023 and 2022, net assets without donor restriction, designated by the board are, $7,327,917 and $6,834,959, respectively. These 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:

	2023	2022
Purpose Restrictions:		
Transition-Age Services	$ 34,862,315	$ 10,377,462
Memphis Allies/SWITCH	17,489,465	6,574,103
Capital Projects	487,342	487,342
Bills' Place Campaign	594,595	1,101,494
Janie's Fund	6,000,755	5,822,330
Blue Meridian Partners/Growth Capital Campaign III	37,657,967	34,564,554
Perpetual in Nature - ChristieCare Land	-	78,000
	$ 97,092,439	$ 59,005,285

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. The property was sold during 2023, and the land was thereby released from restriction.

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, Massachusetts, Mississippi, North Carolina, New Hampshire, Ohio, Oklahoma, Oregon, 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 year ended June 30, 2023, operating lease expenses totaled $1,749,222 and $1,414,496 for long-term and short-term leases, respectively.

The future minimum lease obligations are as follows:

June 30		
2024	$	2,935,573
2025		2,648,335
2026		1,972,838
2027		783,085
2028		626,244
Thereafter		1,617,565
		10,583,640
Less effects of discounting		(1,009,119)
Present value of future minimum lease payments	$	9,574,521

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 has 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, 2023 and 2022 were $6,152,477 and $5,087,024, 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 $36,274,166 and $34,629,329 to Youth Villages, Inc. for the years ended June 30, 2023 and 2022, respectively. Also, Youth Villages, Inc. and Youth Villages Foundation, Inc. have intercompany receivables/payables which totaled $106,676,547 and $88,715,822 as of June 30, 2023 and 2022, 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, 2023 and 2022 was $50,291,390 and $30,490,186 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 $290,000 and $289,663 for the years ended June 30, 2023 and 2022, respectively.

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 and $359,290 for the years ended June 30, 2023 and June 30, 2022, respectively.

The Organization purchased specialty services from a company owned by a member of the Board of Directors of the Organization. The amounts paid totaled $39,525 and $0 for the years ended June 30, 2023 and June 30, 2022, respectively.

NOTE 15 – INSURANCE POLICIES

Youth Villages, Inc. maintains life insurance policies on certain key employees of the Organization. As of June 30, 2023 and 2022, the cash value of these policies totaled $7,327,917 and $6,834,959, 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, 2023 and 2022, revenues from the State of Tennessee were $138,870,587 and $115,249,813, respectively. These revenues represented 41% and 39% of total revenue for Youth Villages, Inc. for each of the years ended June 30, 2023 and 2022, 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 41% in 2023. 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 19% of Youth Villages, Inc.’s total revenue for each of the years ended June 30, 2023 and 2022. 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, 2023

	Youth Villages, Inc.	Youth Villages Foundation, Inc.	Eliminations	Total
Current Assets				
Cash and cash equivalents	$ 31,143,869	$ 29,484,565	$ -	$ 60,628,434
Receivables				
Affiliate	102,676,547	-	(102,676,547)	-
Promises to give, current portion	-	8,818,693	-	8,818,693
Grantor agencies	3,748,572	-	-	3,748,572
Contract receivables	33,773,183	-	-	33,773,183
Notes receivable, current	-	-	-	-
Other	1,083,968	1,870,000	-	2,953,968
Investments	-	347,371,124	-	347,371,124
Prepaid expenses	3,621,540	120,463	-	3,742,003
Total current assets	176,047,679	387,664,845	(102,676,547)	461,035,977
Property and Equipment				
Land	8,498,831	-	-	8,498,831
Buildings	121,280,229	-	-	121,280,229
Equipment and vehicles	31,136,628	149,587	-	31,286,215
Furniture and fixtures	13,339,057	12,039	-	13,351,096
Construction in progress	1,137,364	-	-	1,137,364
	175,392,109	161,626	-	175,553,735
Accumulated depreciation	(82,743,432)	(161,626)	-	(82,905,058)
Total property and equipment	92,648,677	-	-	92,648,677
Other Assets				
Promises to give, net of current portion	-	11,454,050	-	11,454,050
Right-of-use assets, noncurrent	9,499,150	-	-	9,499,150
Other	7,327,917	-	-	7,327,917
Total other assets	16,827,067	11,454,050	-	28,281,117
Total assets	$ 285,523,423	$ 399,118,895	$ (102,676,547)	$ 581,965,771

See independent auditor’s report.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)

June 30, 2023

	Youth Villages, Inc.	Youth Villages Foundation, Inc.	Eliminations	Total
Current Liabilities				
Accounts payable	$ 5,388,079	$ 58,281	$ -	$ 5,446,360
Accounts payable, affiliate	-	102,676,547	(102,676,547)	-
Accrued expenses	4,882,136	34,490	-	4,916,626
Deferred revenue	1,157,426	-	-	1,157,426
Other liabilities	6,988,692	598,473	-	7,587,165
Lease liabilities. Current	2,935,573	-	-	2,935,573
Payroll liabilities	10,568,655	212,582	-	10,781,237
Total current liabilities	31,920,561	103,580,373	(102,676,547)	32,824,387
Long-Term Liabilities				
Lease liabilities	6,638,947	-	-	6,638,947
Net Assets				
Without donor restrictions	246,963,915	198,446,083	-	445,409,998
With donor restrictions	-	97,092,439	-	97,092,439
Total net assets	246,963,915	295,538,522	-	542,502,437
Total liabilities and net assets	$ 285,523,423	$ 399,118,895	$ (102,676,547)	$ 581,965,771

See independent auditor’s report.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the Year Ended June 30, 2023

	Youth Villages Inc.	Youth Villages Foundation Inc.	Eliminations	Total
Net Assets Without Donor Restrictions				
Revenues and Support				
State of Tennessee contract revenue	$ 117,340,078	$ -	$ -	$ 117,340,078
Contract revenue	76,903,366	-	-	76,903,366
Tenncare revenue	21,530,511	-	-	21,530,511
Medicaid revenue	63,439,487	-	-	63,439,487
Net private insurance	6,344,638	-	-	6,344,638
USDA & Grants	15,507,516	3,308,953	-	18,816,469
Other - local education authority, county, city, provider agency	2,715,341		-	2,715,341
Donations and promises to give	36,274,166		(36,274,166)	-
Special events revenue	-	1,164,735	-	1,164,735
Less: costs of direct benefits to donors	-	(491,954)	-	(491,954)
Net revenues from special events	-	672,781	-	672,781
Dividends and interest on investments	304,445	1,316,462	-	1,620,907
Net gain (loss) on investments	-	28,352,225	-	28,352,225
Gain on sale of fixed assets	1,448,570	-	-	1,448,570
Miscellaneous income	396,081	-	-	396,081
	342,204,199	33,650,421	(36,274,166)	339,580,454
Net assets released from donor restrictions	-	34,318,689	-	34,318,689
Total revenues and support	342,204,199	67,969,110	(36,274,166)	373,899,143
Expenses				
Charitable contributions	-	36,274,166	(36,274,166)	-
Program services	276,418,107	-	-	276,418,107
Management and general	44,907,366	871,241	-	45,778,607
Fundraising	-	4,983,749	-	4,983,749
Total expenses	321,325,473	42,129,156	(36,274,166)	327,180,463
Change in net assets without donor restrictions	$ 20,878,726	$ 25,839,954	$ -	$ 46,718,680

See independent auditor’s report.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF ACTIVITIES (CONTINUED)

For the Year Ended June 30, 2023

	Youth Villages Inc.	Youth Villages Foundation Inc.	Eliminations	Total
Net Assets With Donor Restrictions				
Donations and promises to give	$ -	$ 72,405,843	$ -	$ 72,405,843
Net assets released from donor restrictions	-	(34,318,689)	-	(34,318,689)
Change in net assets with donor restrictions	-	38,087,154	-	38,087,154
Change in net assets	20,878,726	63,927,108	-	84,805,834
Net assets - beginning of year	226,085,189	231,611,414	-	457,696,603
Net assets - end of year	$ 246,963,915	$ 295,538,522	$ -	$ 542,502,437

See independent auditor’s report.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF CASH FLOWS

For the Year Ended June 30, 2023

	Youth Villages, Inc.	Youth Villages Foundation, Inc.	Eliminations	Total
Cash Flows From Operating Activities:				
Change in net assets	$ 20,878,726	$ 63,927,108	$ -	$ 84,805,834
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:				
Depreciation	8,209,737		-	8,209,737
Noncash lease expense	1,496,743			1,496,743
(Gain) loss on investments	-	(28,352,225)	-	(28,352,225)
(Gain) loss on disposal of property and equipment	(1,448,570)	-	-	(1,448,570)
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Receivables	3,617,295	(13,528,201)	-	(9,910,906)
Receivables - affiliate	(13,960,725)	-	13,960,725	-
Prepaid expenses	(165,317)	(100,484)	-	(265,801)
Increase (decrease) in:				
Accounts payable	1,760,921	(16,137)	-	1,744,784
Accounts payable - affiliate	-	13,960,725	(13,960,725)	-
Accrued expenses	928,195	(838)	-	927,357
Deferred revenue	(1,407,622)	-	-	(1,407,622)
Other liabilities	323,707	(207,762)	-	115,945
Payroll liabilites	3,049,421	40,285	-	3,089,706
Total adjustments	2,403,785	(28,204,637)	-	(25,800,852)
Net cash provided by operating activities	23,282,511	35,722,471	-	59,004,982
Cash Flows From Investing Activities:				
Purchase of property and equipment	(6,748,420)		-	(6,748,420)
Proceeds from the sale of property and equipment	2,008,000	-	-	2,008,000
Payments on notes receivable	2,175,000	-		2,175,000
Investment in securities	-	(79,546,818)	-	(79,546,818)
Proceeds from sales of securities	-	55,141,028	-	55,141,028
Increase in sundry assets	(492,958)	-	-	(492,958)
Net cash provided by (used for) investing activities	(3,058,378)	(24,405,790)	-	(27,464,168)
Cash Flows Used For Financing Activities:				
Principal payments on lease liabilities	(1,402,567)	-		(1,402,567)
Net increase (decrease) in cash and cash equivalents	18,821,566	11,316,681	-	30,138,247
Cash and cash equivalents at beginning of the year	12,322,303	18,167,884	-	30,490,187
Cash and cash equivalents at end of the year	$ 31,143,869	$ 29,484,565	$ -	$ 60,628,434

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, 2023, 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 November 14, 2023.

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 entity'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
November 14, 2023