YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

WATKINS UIBERALL
Certified Public Accountants
Independent Member of BKR International

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For the Year Ended June 30, 2018

Patrick Lawler, Chief Executive Officer
Hugh Gregory, Chief Financial Officer
Fred Thomason, Chief Medical Officer
Richard Shaw, Chief Development Officer
Edward Reyle, Chief HR/IT Officer
Timothy Goldsmith, Chief Clinical Officer
Robert Paine, Chief Operating Officer
Jennifer Jones, Chief Marketing Officer
Hannah Caroline, Chief Operating Officer

YOUTH VILLAGES, INC. AND AFFILIATES
ROSTER OF BOARD MEMBERS

For the Year Ended June 30, 2018

Mike Bruns, Bruns Holdings
Jennifer Bush, Cummins Mid-South LLC and Southern Plains, LLC
Judith Edge, Fed Ex
David Tyler, Grant Thornton LLP
Nicholas Ehlen, Melvin Mark Brokerage Company
Jack Eiferman, Attorney at Goulston & Storrs
Marietta Davis
Bill Giles, Autozone
Bryan Jordan, First Horizon Corporation
Matthew Tarkenton, the Tarkenton Companies
Vanessa Diffenbaugh, the Camellia Network
Elizabeth Rose, Caiola Rose Attorneys at Law
James Lackie, River Street Management Company
Gerald Laurain, FTB Wealth Management
Johnny Pitts, Lipscomb & Pitts Insurance Co.
Daryl ‘Chip’ Wade, Red Lobster
H Patterson ‘Pat’ Ritz, Footwear Specialties International
Gary Shorb, Executive Director Urban Child Institute

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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, 2018 and 2017, and the related consolidated statements of activities 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, 2018 and 2017, 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.

Watkins Uiberall, PLLC

Memphis, Tennessee
November 9, 2018

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

Assets

	2018	2017
Current Assets		
Cash and cash equivalents	$ 46,678,523	$ 25,563,685
Receivables		
Promises to give, current portion	7,154,133	3,053,893
Grantor agencies, net of allowance	698,757	412,524
Contract receivables, net of allowance	28,800,366	24,050,478
Other	32,020	139,893
Investments	191,885,115	190,769,814
Prepaid expenses	1,301,764	1,540,618
Total current assets	276,550,678	245,530,905
Property and equipment, net	69,052,395	58,570,524
Other Assets		
Promises to give, net of current portion	15,924,815	4,331,394
Other	6,356,353	6,160,574
Total other assets	22,281,168	10,491,968
Total assets	$ 367,884,241	$ 314,593,397

Liabilities and Net Assets

	2018	2017
Current Liabilities		
Accounts payable	$ 5,055,720	$ 3,963,145
Accrued salaries and compensated absences	7,031,788	6,027,087
Accrued retirement plan contributions	2,027,551	2,413,535
Accrued and withheld taxes	180,094	157,594
Accrued other expenses	2,941,523	2,609,186
Deferred revenue	41,592	1,151,249
Total current liabilities	17,278,268	16,321,796
Net Assets		
Unrestricted		
Board designated	5,489,344	5,284,223
Unrestricted	276,280,677	254,508,274
Temporarily restricted	68,757,952	38,401,104
Permanently resticted	78,000	78,000
Total net assets	350,605,973	298,271,601
Total liabilities and net assets	$ 367,884,241	$ 314,593,397

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, 2018 and 2017

	2018	2017
Unrestricted Net Assets		
Revenues and Support		
State of Tennessee contract revenue	$ 79,983,271	$ 70,163,991
Contract revenue	50,303,878	38,894,390
Tenncare revenue	16,483,733	16,748,477
Medicaid revenue	38,337,512	40,258,158
Net private insurance	4,476,589	3,741,840
Grants	1,866,899	1,985,200
USDA	986,835	963,430
Other - local education authority, county, city, provider agency	2,169,007	2,211,736
Donations and pledges	7,455,253	3,215,538
Special events revenue	4,041,359	2,568,601
Less: costs of direct benefits to donors	(2,085,437)	(486,605)
Net revenues (loss) from special events	1,955,922	2,081,996
Dividends and interest on investments	734,905	1,021,501
Net gain on investments	13,527,217	18,082,004
Gain on sale of fixed assets/lease	90,628	830,763
Miscellaneous income	627,297	241,660
	218,998,946	200,440,684
Net assets released from restrictions	12,786,070	21,212,998
Total revenues and support	231,785,016	221,653,682
Expenses		
Program services	178,132,579	164,299,710
Management and general	28,507,638	25,588,940
Fundraising	3,167,275	3,042,135
Total expenses	209,807,492	192,930,785
Change in unrestricted net assets	21,977,524	28,722,897

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, 2018 and 2017

	2018	2017
Temporarily Restricted Net Assets		
Donations and pledges	43,142,918	24,621,388
Net assets released from restrictions	(12,786,070)	(21,212,998)
Change in temporarily restricted net assets	30,356,848	3,408,390
Change in net assets	52,334,372	32,131,287
Net assets - beginning of year	298,271,601	266,140,314
Net assets - end of year	$ 350,605,973	$ 298,271,601

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, 2018 and 2017

	2018	2017
Cash Flows Provided By (Used For) Operating Activities:		
Change in net assets	$ 52,334,372	$ 32,131,287
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	5,525,417	5,722,685
Unrealized gain on investments	(14,937,510)	(19,100,213)
Realized (gain) loss on investments	675,388	(3,292)
Gain on disposal of property and equipment	(80,145)	(245,684)
Increase (Decrease) in Cash and Cash Equivalents:		
Receivables	(20,621,909)	(6,751,060)
Prepaid expenses	238,854	(347,455)
Accounts payable	1,092,575	210,651
Accrued salaries and compensated balances	1,004,701	(3,069,714)
Accrued retirement plan contributions	(385,984)	1,138,511
Accrued and withheld taxes	22,500	34,472
Accrued other expenses	332,337	(10,129)
Deferred revenue	(1,109,657)	45,204
Total adjustments	(28,243,433)	(22,376,024)
Net cash provided by operating activities	24,090,939	9,755,263
Cash Flows From (Used For) Investing Activities:		
Purchase of property and equipment	(16,015,776)	(5,702,552)
Proceeds from the sale of property and equipment	88,633	625,195
Investment in securities	(11,374,686)	(34,766,915)
Proceeds from sales of securities	24,521,507	13,591,990
Increase in sundry assets	(195,779)	(313,661)
Net cash used for investing activities	(2,976,101)	(26,565,943)
Net increase (decrease) in cash and cash equivalents	21,114,838	(16,810,680)
Cash and cash equivalents at beginning of the year	25,563,685	42,374,365
Cash and cash equivalents at end of the year	$ 46,678,523	$ 25,563,685

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 YVLifeSet and intensity from intensive residential treatment to volunteer based mentoring.

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 located 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, and Douglasville, Georgia, and Portland, Oregon.

The Foster Home 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 Mississippi and 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. These services are provided in the states of Alabama, Florida, Georgia, Indiana, Massachusetts, Mississippi, New Hampshire, North Carolina, Oklahoma, Oregon, Tennessee and the District of Columbia.

The Adoptions program is located 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 YVLifeSet 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.

The Organization's Specialized Crisis Services provide emergency psychiatric support and recommendations for the majority of 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.

The Organization's Partners program started in January 2016 and allows for the YVLifeSet model to be implemented at a participating organization for a fee.

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.

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

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

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. 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.

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 temporarily restricted amounts totaling $68,757,952 and $38,401,104 as of June 30, 2018 and 2017, 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 market value with realized and unrealized gains and losses reflected in the consolidated statement of activities.

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.

Allowance for Doubtful Accounts

Receivables other than pledges, which consist primarily of amounts due from grantor agencies and contracts with states, are valued in the financial statements net of an allowance for doubtful accounts of $699,525 and $554,338 at June 30, 2018 and 2017, respectively. Receivables are evaluated by management monthly, and the allowance for doubtful accounts is estimated by management based on historical experience.

The Organization evaluates the collectability of pledges receivable and makes adjustments to the assets accordingly. An allowance for uncollectible pledges of $250,480 and $225,621 was established at June 30, 2018 and 2017, 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 2018 and 2017, 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:

Unrestricted net assets are not subject to donor-imposed restrictions. Temporarily restricted net assets are subject to donor-imposed restrictions for a particular purpose or for use in a specific time period. Permanently restricted net assets are net assets with donor-imposed restrictions that are maintained permanently. The income from these net assets may be used for specified purposes.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expenses were $364,983 and $412,383 for the years ended June 30, 2018 and 2017, 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 statement of activities. Accordingly, certain costs have been allocated by management among the programs and supporting services benefited.

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 Pronouncement

The FASB issued ASU No.2016-14, Presentation of Financial Statements of Not-for-Profit Entities, effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The most significant changes within the ASU impact the following areas:

1. Net Asset Classes – Net asset classification has been reduced from three classes of net assets (unrestricted, temporarily restricted and permanently restricted) to net assets with donor restrictions and net assets without donor restrictions.

2. Expenses – Expenses by both their natural classification and their functional classification will be presented either on the face of the statement of activities, as a separate statement or in the notes to the financial statements.

3. Liquidity and Availability of Resources – The ASU requires disclosures that communicate qualitative information of how a not-for-profit entity manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date, as well as quantitative information that communicates the availability of a not-for-profit entity's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date.

4. Presentation of Operating Cash Flows – Not-for-profit entities can continue to present the statement of cash flows using either the direct method or indirect method. The ASU removes the requirement to present or disclose the indirect method when using the direct method of reporting cash flows.

The above changes only impact the presentation and disclosures within the financial statements. However, within the ASU, there is one change in the accounting requirements for not-for-profit entities. The placed-in-service approach will now be required for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset. The ASU eliminates the current option that, in the absence of explicit donor stipulations, had allowed a not-for-profit to delay reporting of an expiration of a donor imposed restriction for the acquisition or construction of a long-lived asset by electing to report the expiration over time (as the asset is used or consumed, i.e. to match the depreciation expense on the asset) rather than when placed in service.

The Organization intends to adopt the new ASU guidance using the retrospective method for the year ended June 30, 2019.

Date of Management's Review

The Organization evaluated its June 30, 2018, consolidated financial statements for subsequent events through November 9, 2018, the date the consolidated financial statements were available to be issued. Except as disclosed in Note 19, the Organization is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

NOTE 2 – PROMISES TO GIVE

Pledges and contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Pledges and contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restrictions expire in the fiscal year in which they are recognized. All other donor-restricted pledges and contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

NOTE 3 – PROMISES TO GIVE – CONSTRUCTION AND GROWTH

In 2016, the Organization began a capital campaign to fund the construction to expand the Boys Center for Intensive 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 2.73% based on expected payments.

Promises to give are due as follows at June 30, 2018:

2019	$ 7,240,806
2020	5,885,275
2021	5,615,042
2022	5,310,930
2023	649,000
	$ 24,701,053

Promises to give, current portion, net of allowance of $86,673	$	7,154,133
Promises to give, long-term	$	17,460,246
Less discount to present value		(1,371,624)
Less allowance, non-current		(163,807)
	$	15,924,815

As of June 30, 2017, total promises to give were $7,385,286, net of a discount to present value of $242,112 and the allowance of $225,621.

NOTE 4 – CONDITIONAL PROMISES TO GIVE AND INTENTIONS TO GIVE

During 2012, the Organization began a growth and sustainability capital campaign in its efforts to reach or exceed all business plan goals. This campaign was an agreement made between the Organization and several third parties. Subject to certain defined program accomplishments, including service capacity, program quality, and financing goals, these third parties agreed to contribute an amount defined by their contract with the Organization. When the defined program accomplishments are met, the Organization receives a contribution which is recorded as income. For the year ended June 30, 2017, the amount received and recorded by the Organization related to this agreement totaled $3,200,000. As of June 30, 2017, the Organization does not have an outstanding commitment. This capital campaign ended in 2017.

During 2016, the Organization began a growth and sustainability capital campaign in its efforts to expand its YVLifeSet 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, 2018 and 2017, the amounts received and recorded by the Organization related to this agreement totaled $12,300,000 and $6,300,000, respectively. As of June 30, 2018 and 2017, the Organization had outstanding commitments of $13,300,000 and $25,600,000, respectively, which have not been recorded in the accompanying consolidated financial statements, nor will it be until the defined program accomplishments are met.

During 2016, the Organization received a conditional promise to give in relation to its efforts to expand its services in Oklahoma. 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, 2018 and 2017, the amounts received and recorded by the Organization related to this agreement totaled $949,459 for each year. As of June 30, 2017, $949,469 was received early and recorded as deferred revenue on the statements of financial position. As of June 30, 2018 and 2017, the Organization had outstanding commitments of $1,898,960 and $2,848,419, respectively, which have not been recorded in the accompanying consolidated financial statements, nor will it be until the defined program accomplishments are met.

During 2017, The Organization was notified by a foundation of their intention to give $14,000,000 to the Organization over a period of three years. Since this intention to give can be rescinded by the donor, is not legally enforceable, and was made for budgeting purposes only, the amounts will not be recorded in the consolidated financial statements until they are actually received. For the years ended, June 30, 2018 and 2017, $5,500,000 for each year has been received and recorded by the Organization related to this intention to give.

During 2018, the Organization received a conditional promise to help support YVLifeset 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 the year ended June 30, 2018, the amount received and recorded by the Organization related to this agreement totaled $500,000. As of June 30, 2018, the Organization had outstanding commitments of $2,000,000, which have not been recorded in the accompanying consolidated financial statements, nor will it be until the defined program accomplishments are met.

During 2018, 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, 2018, the amount received and recorded by the Organization related to this agreement totaled $600,000. As of June 30, 2018, the Organization had outstanding commitments of $600,000, which have not been recorded in the accompanying consolidated financial statements, nor will it be until the defined program accomplishments are met.

NOTE 5 – INVESTMENTS

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

	2018	
	Cost	Market Value
Mutual funds	$ 46,565,170	$ 48,524,265
Equity securities	2,877,560	5,581,311
Private equity funds and master limited partnerships	27,133,269	38,442,904
Hedge funds	60,991,738	99,145,121
Real estate investment trusts	160,000	191,514
Total	$ 137,727,737	$ 191,885,115
Cumulative unrealized gain on investments		$ 54,157,378

	2017	
	Cost	Market Value
Mutual funds	$ 60,008,320	$ 60,245,509
Equity securities	2,587,580	4,837,023
Private equity funds and master limited partnerships	24,007,427	33,638,092
Hedge funds	63,041,738	91,845,312
Real estate investment trusts	235,000	203,878
Total	$ 149,880,065	$ 190,769,814
Cumulative unrealized gain on investments		$ 40,889,749

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 2018 and 2017, the Organization recognized a net gain of $9,349,809 and $10,993,699, respectively, from fair value hedges which are included in "Net gain (loss) on investments" in the consolidated statements of activities.

At June 30, 2018 and 2017, the Foundation had commitments to fund private equity and real estate investment trusts of $13,782,667 and $13,160,178, 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, 2018.

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, 2018 and 2017.

	Assets at Fair Value as of June 30, 2018				
	Level 1	Level 2	Level 3	Assets Measured at Net Asset Value	Total
Mutual funds	$ 48,524,265	$ -	$ -	$ -	$ 48,524,265
Equity securities	5,581,311	-	-	-	5,581,311
Private equity funds and master limited partnerships at NAV	-	-	-	38,442,904	38,442,904
Hedge funds at NAV	-	-	-	99,145,121	99,145,121
Real estate investment trusts at NAV	-	-	-	191,514	191,514
Total assets at fair value	$ 54,105,576	$ -	$ -	$ 137,779,539	$ 191,885,115

	Assets at Fair Value as of June 30, 2017				
	Level 1	Level 2	Level 3	Assets Measured at Net Asset Value	Total
Mutual funds	$ 60,245,509	$ -	$ -	$ -	$ 60,245,509
Equity securities	4,837,023	-	-	-	4,837,023
Private equity funds and master limited partnerships at NAV	-	-	-	33,638,092	33,638,092
Hedge funds at NAV	-	-	-	91,845,312	91,845,312
Real estate investment trusts at NAV	-	-	-	203,878	203,878
Total assets at fair value	$ 65,082,532	$ -	$ -	$ 125,687,282	$ 190,769,814

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

	2018			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Private equity funds and master limited partnerships	$ 38,442,904	$ 13,702,667	Monthly, quarterly, annually, or as provided	30-90 days
Real estate investment trusts	191,514	80,000	As provided	Not applicable
Hedge funds	99,145,121	-	Quarterly, annually, or as provided	60-180 days
	$ 137,779,539	$ 13,782,667		

	2017			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Private equity funds and master limited partnerships	$ 33,638,092	$ 13,080,178	Monthly, quarterly, annually, or as provided	30-90 days
Real estate investment trusts	203,878	80,000	As provided	Not applicable
Hedge funds	91,845,312	-	Quarterly, annually, or as provided	60-180 days
	$ 125,687,282	$ 13,160,178		

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 publically 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:

	2018	2017
Land	$ 8,610,509	$ 8,610,509
Buildings	71,598,645	67,209,517
Equipment and vehicles	24,991,981	23,232,923
Furniture and fixtures	8,515,729	7,645,908
Construction in progress	10,606,499	2,333,370
Land and property held for sale	1,151,029	1,214,174
	125,474,392	110,246,401
Less accumulated depreciation	(56,421,997)	(51,675,877)
	$ 69,052,395	$ 58,570,524

Construction in progress primarily consists of various construction projects including the Shelby Oaks building renovation, Inner Harbour building remodel, and the Boys Center Residential expansion project. As of June 30, 2018, the estimated cost to complete these projects was approximately $18,680,000.

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, 2018, with all subsequent interest payments to be due on the same day of each month thereafter. The line of credit matures on March 31, 2019, 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, 2018, the rate was 3.38%. The note is unsecured. As of June 30, 2018 and 2017, 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, 2018. As of June 30, 2018 and 2017, there were no drawings made by the beneficiary.

NOTE 10– NET ASSETS

At June 30, 2018 and 2017, unrestricted, board designated net assets are, $5,489,344 and $5,284,223, respectively. These whole amounts have been designated to pay benefits to key employees upon termination of employment.

Temporarily restricted net assets are available for the following purposes at June 30:

	2018	2017
Purpose Restrictions:		
Growth Capital Campaign	$ 715,929	$ 912,179
YVLifeSet	17,197,624	14,874,961
Capital Projects	781,941	832,941
Boys Center Campaign	21,241,161	13,975,000
Janie's Fund	1,909,218	1,335,135
Blue Meridian Partners/Growth Capital Campaign III	10,912,079	6,470,888
Time Restrictions	16,000,000	-
	$ 68,757,952	$ 38,401,104

Permanently restricted net assets of $78,000 at June 30, 2018 and 2017 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, District of Columbia, Georgia, Florida, Indiana, Massachusetts, Mississippi, North Carolina, Ohio, Oklahoma, Oregon, and Tennessee. Total rental expense for such real property was $2,582,413 and $2,555,800 for the years ended June 30, 2018 and 2017, respectively. Certain leases are subject to rental escalation clauses in future years.

Minimum lease commitments in fiscal years subsequent to June 30, 2018 are as follows:

2019	$	1,746,013
2020		907,273
2021		288,781
2022		27,378
2023		3,000
Thereafter		1,000
	$	2,973,445

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 Profit Sharing 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 are made at the discretion of management and the Board of Directors. Employer contributions for the years ended June 30, 2018 and 2017 were $4,441,086 and $4,575,135, 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 $20,475,501 and $25,221,169 to Youth Villages, Inc. for the years ended June 30, 2018 and 2017, respectively. Also, Youth Villages, Inc. and Youth Villages Foundation Inc. have intercompany receivables/payables which totaled $47,200,028 and $49,753,868 as of June 30, 2018 and 2017, 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, 2018 and 2017 was $19,210,194 and $24,891,773, 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 amount paid totaled $289,500 for the year ended June 30, 2018.

The Organization purchased landscaping services from a company owned by a relative of a member of the Board of Directors of the Organization. The amount paid totaled $191,210 for the year ended June 30, 2018.

NOTE 15 – INSURANCE POLICIES

Youth Villages, Inc. maintains life insurance policies on certain key employees of the Organization. As of June 30, 2018 and 2017, the cash value of these policies totaled $5,489,344 and $5,284,223, 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, 2018 and 2017, revenues from the State of Tennessee were $96,467,004, and $86,912,468, respectively. These revenues represented 45% and 43% of total revenue for Youth Villages, Inc. for the years ended June 30, 2018 and 2017, respectively. The Organization places an emphasis on diversifying its sources of revenue. The Organization has been successful in its diversification plan by lowering the dependence on revenue from the State of Tennessee from 69% in 2005 to 45% in 2018.

NOTE 17 – UNCERTAINTIES

The Medicaid program accounted for approximately 25% and 28% of Youth Villages, Inc.’s total revenue for the years ended June 30, 2018 and 2017, 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.

NOTE 18 – NET PRIVATE INSURANCE AND MEDICAID REVENUE

Net private insurance and Medicaid revenue is reported at estimated net realizable amounts from third-party payors 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 19 – SUBSEQUENT EVENT

In November 2018, three of the Organization’s programs will be ceasing all operations and closing down. This will create an approximate decrease in revenues of $15,000,000 and expenses of $20,600,000, with a net increase of approximately $5,600,000 to net income. The children will be placed in other programs/locations and still served by the Organization. Employees have been offered other positions within the Organization when possible or a severance package.

SUPPLEMENTAL INFORMATION

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

June 30, 2018

	Youth Villages, Inc.	Youth Villages Foundation, Inc.	Eliminations	Total
Current Assets				
Cash and cash equivalents	$ 6,571,765	$ 40,106,758	$ -	$ 46,678,523
Receivables				
Affiliate	47,200,028	-	(47,200,028)	-
Promises to give, current portion	-	7,154,133	-	7,154,133
Grantor agencies, net of allowance	698,757	-	-	698,757
Contract receivables, net of allowance	28,800,366	-	-	28,800,366
Other	32,020	-	-	32,020
Investments	-	191,885,115	-	191,885,115
Prepaid expenses	1,288,535	13,229	-	1,301,764
Total current assets	84,591,471	239,159,235	(47,200,028)	276,550,678
Property and Equipment				
Land	8,610,509	-	-	8,610,509
Buildings	71,598,645	-	-	71,598,645
Equipment and vehicles	24,842,394	149,587	-	24,991,981
Furniture and fixtures	8,457,935	57,794	-	8,515,729
Construction in progress	10,606,499	-	-	10,606,499
Land and property held for sale	1,151,029	-	-	1,151,029
	125,267,011	207,381	-	125,474,392
Accumulated depreciation	(56,286,790)	(135,207)	-	(56,421,997)
Total property and equipment	68,980,221	72,174	-	69,052,395
Other Assets				
Promises to give, net of current portion	-	15,924,815	-	15,924,815
Other	6,356,353	-	-	6,356,353
Total other assets	6,356,353	15,924,815	-	22,281,168
Total assets	$ 159,928,045	$ 255,156,224	$ (47,200,028)	$ 367,884,241

See independent auditor’s report.

	Youth Villages, Inc.	Youth Villages Foundation, Inc.	Eliminations	Total
Current Liabilities				
Accounts payable	$ 5,033,087	$ 22,633	$ -	$ 5,055,720
Accounts payable - affiliate	-	47,200,028	(47,200,028)	-
Accrued salaries and compensated absences	6,905,694	126,094	-	7,031,788
Accrued retirement plan contributions	1,990,916	36,635	-	2,027,551
Accrued and withheld taxes	177,274	2,820	-	180,094
Accrued other expenses	2,925,701	15,822	-	2,941,523
Deferred revenue	41,592	-	-	41,592
Total current liabilities	17,074,264	47,404,032	(47,200,028)	17,278,268
Net Assets				
Unrestricted				
Board designated	5,489,344	-	-	5,489,344
Unrestricted	137,364,437	138,916,240	-	276,280,677
Temporarily restricted	-	68,757,952	-	68,757,952
Permanently restricted	-	78,000	-	78,000
Total net assets	142,853,781	207,752,192	-	350,605,973
Total liabilities and net assets	$ 159,928,045	$ 255,156,224	$ (47,200,028)	$ 367,884,241

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the Year Ended June 30, 2018

	Youth Villages Inc.	Youth Villages Foundation Inc.	Eliminations	Total
Unrestricted Net Assets				
Revenues and Support				
State of Tennessee contract revenue	$ 79,983,271	$ -	$ -	$ 79,983,271
Contract revenue	50,303,878	-	-	50,303,878
Tenncare revenue	16,483,733	-	-	16,483,733
Medicaid revenue	38,337,512	-	-	38,337,512
Net private insurance	4,476,589	-	-	4,476,589
Grants	1,866,899	-	-	1,866,899
USDA	986,835	-	-	986,835
United Way	-	-	-	-
Other - local education authority, county, city, provider agency	2,169,007	-	-	2,169,007
Donations and pledges	20,475,499	7,469,653	(20,489,899)	7,455,253
Special events revenue	-	4,041,359	-	4,041,359
Less: costs of direct benefits to donors	-	(2,085,437)	-	(2,085,437)
Net revenues from special events	-	1,955,922	-	1,955,922
Dividends and interest on investments	-	734,905	-	734,905
Net gain on investments	-	13,527,217	-	13,527,217
Gain on sale of fixed assets	90,628	-	-	90,628
Miscellaneous income	534,137	93,160	-	627,297
	215,707,988	23,780,857	(20,489,899)	218,998,946
Net assets released from restrictions	-	12,786,070	-	12,786,070
Total revenues and support	215,707,988	36,566,927	(20,489,899)	231,785,016
Expenses				
Charitable contributions	-	20,489,899	(20,489,899)	-
Program services	178,132,579	-	-	178,132,579
Management and general	28,295,536	212,102	-	28,507,638
Fundraising	-	3,167,275	-	3,167,275
Total expenses	206,428,115	23,869,276	(20,489,899)	209,807,492
Change in unrestricted net assets	9,279,873	12,697,651	-	21,977,524

See independent auditor’s report.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF ACTIVITIES (CONTINUED)

For the Year Ended June 30, 2018

	Youth Villages Inc.	Youth Villages Foundation Inc.	Eliminations	Total
Temporarily Restricted Net Assets				
Donations and pledges	-	43,142,918	-	43,142,918
Net assets released from restrictions	-	(12,786,070)	-	(12,786,070)
Change in temporarily restricted net assets	-	30,356,848	-	30,356,848
Change in net assets	9,279,873	43,054,499	-	52,334,372
Net assets - beginning of year	133,573,908	164,697,693	-	298,271,601
Net assets - end of year	$ 142,853,781	$ 207,752,192	$ -	$ 350,605,973

See independent auditor's report.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF CASH FLOWS

For the Year Ended June 30, 2018

	Youth Villages, Inc.	Youth Villages Foundation, Inc.	Eliminations	Total
Cash Flows Provided By (Used For) Operating Activities:				
Change in net assets	$ 9,279,873	$ 43,054,499	$ -	$ 52,334,372
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:				
Depreciation	5,509,795	15,622	-	5,525,417
Unrealized gain on investments	-	(14,937,510)	-	(14,937,510)
Realized loss on investments	-	675,388	-	675,388
Gain on disposal of equipment	(80,145)	-	-	(80,145)
Increase (Decrease) in Cash and Cash Equivalents:				
Receivables	(4,928,248)	(15,693,661)	-	(20,621,909)
Receivables - affiliate	2,553,840	-	(2,553,840)	-
Prepaid expenses	232,040	6,814	-	238,854
Accounts payable	1,083,499	9,076	-	1,092,575
Accounts payable - affiliate	-	(2,553,840)	2,553,840	-
Accrued salaries and comp absences	948,040	56,661	-	1,004,701
Accrued retirement plan contributions	(377,157)	(8,827)	-	(385,984)
Accrued and withheld taxes	22,238	262	-	22,500
Accrued other expenses	336,246	(3,909)	-	332,337
Deferred revenue	(160,188)	(949,469)	-	(1,109,657)
Total adjustments	5,139,960	(33,383,393)	-	(28,243,433)
Net cash provided by operating activities	14,419,833	9,671,106	-	24,090,939
Cash Flows From (Used For) Investing Activities:				
Purchase of property and equipment	(16,015,776)	-	-	(16,015,776)
Proceeds from the sale of equipment	88,633	-	-	88,633
Investment in securities	-	(11,374,686)	-	(11,374,686)
Proceeds from sales of securities	-	24,521,507	-	24,521,507
Increase in sundry assets	(202,264)	6,485	-	(195,779)
Net cash from (used for) investing activities	(16,129,407)	13,153,306	-	(2,976,101)
Net increase (decrease) in cash and cash equivalents	(1,709,574)	22,824,412	-	21,114,838
Cash and cash equivalents at beginning of the year	8,281,339	17,282,346	-	25,563,685
Cash and cash equivalents at end of the year	$ 6,571,765	$ 40,106,758	$ -	$ 46,678,523

See independent auditor’s report.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2018

	Dogwood Residential	Bartlett Campus Residential	Deer Valley Residential	Boys CIRT Residential	Girls CIRT Residential	Marylhurst Residential	Day Treatment (MS)
Salaries and wages	$ 5,706,705	$ 6,954,598	$ 3,303,714	$ 6,551,310	$ 5,505,709	$ 77,013	$ 54,249
Employee benefits	1,567,145	1,774,600	830,912	1,696,333	1,636,119	72,051	16,076
Clothing allowance	29,429	20,199	-	-	-	-	-
Communications	47,041	75,206	31,886	23,337	22,378	4,353	1,306
Contribution expense	-	-	-	-	-	-	-
General insurance	70,913	125,475	38,064	55,013	55,961	40,512	324
Miscellaneous	66,792	148,293	40,293	130,415	68,309	1,369	362
Professional services	483,601	273,668	184,258	236,678	214,512	32,842	-
Rent	108,000	-	-	-	-	-	-
Repairs and maintenance	263,625	490,442	174,707	216,860	172,909	171,105	359
Supplies	504,015	667,758	310,816	578,648	539,536	7,812	590
Training and seminars	54,883	63,740	18,289	58,933	42,031	0	112
Travel	109,385	182,128	141,494	87,810	53,145	13,870	4,764
Bad debt expense	84,422	13,870	3,800	121,497	18,390	-	-
Special events direct costs	-	-	-	-	-	-	-
Utilities	134,656	172,156	115,661	138,164	169,247	67,885	-
	9,230,612	10,962,133	5,193,894	9,894,998	8,498,246	488,812	78,142
Less: costs of direct benefits to donors	-	-	-	-	-	-	-
Total functional expenses before depreciation	9,230,612	10,962,133	5,193,894	9,894,998	8,498,246	488,812	78,142
Depreciation	213,798	543,537	198,836	362,335	449,543	240,596	-
Total	$ 9,444,410	$ 11,505,670	$ 5,392,730	$ 10,257,333	$ 8,947,789	$ 729,408	$ 78,142

See independent auditor’s report.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended June 30, 2018

	Germaine Lawrence Residential	Inner Harbour	Therapeutic Foster care	In-Home Services	Group Homes	Adoptions	YVLifeSet
Salaries and wages	$ 6,979,028	$ 10,639,633	$ 6,049,908	$ 36,677,201	$ 4,163,537	$ 351,426	$ 8,962,824
Employee benefits	1,573,838	3,047,939	1,580,275	9,122,507	978,873	73,930	2,163,774
Clothing allowance	23,114	-	-	-	-	-	-
Communications	69,045	41,307	151,593	1,070,167	85,891	6,786	242,470
Contribution expense	-	-	-	0	-	-	-
General insurance	69,812	166,763	39,380	180,712	32,217	10,800	38,407
Miscellaneous	95,340	145,246	431,964	966,342	64,530	8,495	411,345
Professional services	272,570	1,342,620	6,692,053	1,012,888	55,628	-	149,283
Rent	56,472	-	141,515	1,618,701	18,000	-	350,258
Repairs and maintenance	359,725	424,232	107,186	565,540	170,429	409	110,779
Supplies	558,329	1,239,658	178,610	381,098	367,838	955	84,725
Training and seminars	63,676	60,386	160,263	440,523	49,697	3,387	88,230
Travel	131,849	180,898	562,353	4,601,174	143,763	21,119	928,237
Bad debt expense	2,000	60,793	21,724	97,323	250,717	-	1,228
Special events direct costs	-	-	-	-	-	-	-
Utilities	265,998	274,559	23,568	142,809	70,998	-	33,031
	10,520,796	17,624,034	16,140,392	56,876,985	6,452,118	477,307	13,564,591
Less: costs of direct benefits to donors	-	-	-	-	-	-	-
Total functional expenses before depreciation	10,520,796	17,624,034	16,140,392	56,876,985	6,452,118	477,307	13,564,591
Depreciation	653,487	806,746	47,296	467,857	221,683	-	75,003
Total	$ 11,174,283	$ 18,430,780	$ 16,187,688	$ 57,344,842	$ 6,673,801	$ 477,307	$ 13,639,594

See independent auditor’s report.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended June 30, 2018

	Mentoring	Crisis Services	Partners	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 201,587	$ 3,612,559	$ 956,743	$ 106,747,744	$ 14,470,744	$ 2,082,260	$ 123,300,748
Employee benefits	47,538	818,380	172,181	27,172,471	3,074,243	463,506	30,710,220
Clothing allowance	-	-	-	72,742	-	-	72,742
Communications	5,108	112,704	19,979	2,010,557	500,453	79,343	2,590,353
Contribution expense	-	-	484,534	484,534	-	-	484,534
General insurance	-	24,552	8,744	957,649	198,732	-	1,156,381
Miscellaneous	15,344	50,598	110,184	2,755,221	603,945	-	3,359,166
Professional services	-	83,083	96,188	11,129,872	2,402,888	67,826	13,600,586
Rent	-	133,062	86,608	2,512,616	39,797	30,075	2,582,488
Repairs and maintenance	13,204	46,143	139,923	3,427,577	3,996,461	69,481	7,493,519
Supplies	539	17,945	5,965	5,444,837	603,227	251,914	6,299,978
Training and seminars	284	27,330	5,237	1,137,001	544,494	15,441	1,696,936
Travel	4,476	256,205	140,983	7,563,653	738,429	90,317	8,392,399
Bad debt expense	-	-	-	675,764	-	-	675,764
Special events direct costs	-	-	-	-	-	2,085,437	2,085,437
Utilities	-	21,382	-	1,630,114	234,657	1,490	1,866,261
	288,080	5,203,943	2,227,269	173,722,352	27,408,070	5,237,090	206,367,512
Less: costs of direct benefits to donors	-	-	-	-	-	2,085,437	2,085,437
Total functional expenses before depreciation	288,080	5,203,943	2,227,269	173,722,352	27,408,070	3,151,653	204,282,075
Depreciation	-	117,511	11,999	4,410,227	1,099,568	15,622	5,525,417
Total	$ 288,080	$ 5,321,454	$ 2,239,268	$ 178,132,579	$ 28,507,638	$ 3,167,275	$ 209,807,492

See independent auditor’s report.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017

	Dogwood Residential	Bartlett Campus Residential	Deer Valley Residential	Boys CIRT Residential	Girls CIRT Residential	Marylhurst Residential	Day Treatment (MS)
Salaries and benefits	$ 5,064,384	$ 6,174,812	$ 2,758,705	$ 5,562,557	$ 4,899,338	$ 56,297	$ 27,324
Employee benefits	1,262,047	1,751,459	691,223	1,528,689	1,318,643	53,943	4,649
Clothing allowance	27,618	20,083	-	-	-	-	-
Communications	45,922	72,193	31,865	14,222	12,840	5,464	477
Contribution expense	-	-	-	-	-	-	-
General insurance	68,667	119,182	36,537	52,512	49,585	44,409	108
Miscellaneous	51,280	122,755	40,016	88,307	62,985	1,903	110
Professional services	353,195	196,308	98,774	165,309	176,388	13,557	-
Rent	108,000	-	1,400	450	-	-	-
Repairs and maintenance	251,241	418,948	143,629	184,630	152,492	119,877	-
Supplies	479,838	557,295	318,176	517,235	486,594	3,232	710
Training and seminars	30,814	32,384	12,935	41,913	34,446	251	288
Travel	95,113	141,501	105,578	65,436	48,726	17,034	3,132
Bad debt expense	63,388	125,821	-	54,500	30,464	(12,718)	-
Special events direct costs	-	-	-	-	-	-	-
Utilities	129,187	197,846	110,939	145,727	174,915	58,937	-
	8,030,694	9,930,587	4,349,777	8,421,487	7,447,416	362,186	36,798
Less: costs of direct benefits to donors	-	-	-	-	-	-	-
Total functional expenses before depreciation	8,030,694	9,930,587	4,349,777	8,421,487	7,447,416	362,186	36,798
Depreciation	241,750	572,311	219,532	317,476	433,278	366,133	-
Total	$ 8,272,444	$ 10,502,898	$ 4,569,309	$ 8,738,963	$ 7,880,694	$ 728,319	$ 36,798

See independent auditor’s report.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended June 30, 2017

	Germaine Lawrence Residential	Inner Harbour	Therapeutic Foster Care	In-Home Services	Group Homes	Adoptions	YVLifeSet
Salaries and benefits	$ 6,299,721	$ 8,667,075	$ 6,133,742	$ 34,058,850	$ 5,233,720	$ 351,164	$ 8,516,420
Employee benefits	1,519,230	2,299,010	1,645,589	9,159,163	1,288,648	77,724	2,234,662
Clothing allowance	20,281	-	-	-	-	-	-
Communications	57,665	22,641	117,224	909,656	80,281	3,131	181,405
Contribution expense	-	-	-	-	-	-	-
General insurance	58,975	150,873	34,380	164,278	40,744	9,540	39,490
Miscellaneous	72,240	108,235	517,913	1,033,314	76,750	9,714	543,818
Professional services	581,209	599,745	6,452,340	923,274	135,404	826	120,162
Rent	56,472	-	152,596	1,673,500	18,000	-	337,910
Repairs and maintenance	488,522	499,695	127,373	670,997	181,650	1,766	133,975
Supplies	508,605	1,002,491	220,478	343,074	476,295	2,316	79,290
Training and seminars	37,922	37,089	128,318	356,387	27,303	3,202	70,460
Travel	216,964	130,671	642,754	4,280,550	125,706	22,965	958,762
Bad debt expense	2,394	73,653	-	58,629	-	-	560
Special events direct costs	-	-	-	-	-	-	-
Utilities	212,305	239,829	24,500	153,874	77,143	-	30,971
	10,132,505	13,831,007	16,197,207	53,785,546	7,761,644	482,348	13,247,885
Less: costs of direct benefits to donors	-	-	-	-	-	-	-
Total functional expenses before depreciation	10,132,505	13,831,007	16,197,207	53,785,546	7,761,644	482,348	13,247,885
Depreciation	629,614	682,652	49,678	614,623	220,932	-	69,954
Total	$ 10,762,119	$ 14,513,659	$ 16,246,885	$ 54,400,169	$ 7,982,576	$ 482,348	$ 13,317,839

See independent auditor's report.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended June 30, 2017

	Mentoring	Crisis Services	Partners	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and benefits	$ 152,797	$ 2,743,954	$ 852,592	$ 97,553,452	$ 11,909,514	$ 1,880,477	$ 111,343,443
Employee benefits	49,473	687,494	154,999	25,726,645	2,716,893	415,756	28,859,294
Clothing allowance	-	-	-	67,982	-	-	67,982
Communications	2,333	96,770	7,210	1,661,299	619,227	177,283	2,457,809
Contribution expense	-	-	60,000	60,000	-	-	60,000
General insurance	612	17,784	8,205	895,881	186,795	-	1,082,676
Miscellaneous	12,080	30,525	34,915	2,806,860	457,979	-	3,264,839
Professional services	-	31,169	164,895	10,012,555	1,616,089	71,840	11,700,484
Rent	-	133,838	11,076	2,493,242	32,468	30,000	2,555,710
Repairs and maintenance	19,639	49,325	80,157	3,523,916	4,737,150	113,849	8,374,915
Supplies	707	6,023	1,445	5,003,804	558,079	247,365	5,809,248
Training and seminars	143	13,632	4,469	831,956	657,962	9,146	1,499,064
Travel	5,264	234,623	106,040	7,200,819	631,930	79,686	7,912,435
Bad debt expense	-	-	-	396,691	-	-	396,691
Special events direct costs	-	-	-	-	-	486,605	486,605
Utilities	-	7,123	-	1,563,296	259,363	851	1,823,510
	243,048	4,052,260	1,486,003	159,798,398	24,383,449	3,512,858	187,694,705
Less: costs of direct benefits to donors	-	-	-	-	-	486,605	486,605
Total functional expenses before depreciation	243,048	4,052,260	1,486,003	159,798,398	24,383,449	3,026,253	187,208,100
Depreciation	-	83,379	-	4,501,312	1,205,491	15,882	5,722,685
Total	$ 243,048	$ 4,135,639	$ 1,486,003	$ 164,299,710	$ 25,588,940	$ 3,042,135	$ 192,930,785

See independent auditor’s report.