

YOUTH VILLAGES, INC. AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015 and 2014



Watkins Uiberall, PLLC
Certified Public Accountants & Financial Advisors
Independent Member of BKR International

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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, 2015 and 2014, 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, 2015 and 2014, 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.

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 12, 2015, on the schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and our consideration of Youth Villages, Inc. and Affiliates' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Youth Villages, Inc. and Affiliates' internal control over financial reporting and compliance.



Memphis, Tennessee

November 12, 2015

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

June 30, 2015 and 2014

	<u>Assets</u>	
	2015	2014
Current Assets		
Cash and cash equivalents	\$ 44,904,119	\$ 42,149,760
Receivables		
Promises to give, current portion	1,371,229	1,350,222
Grantor agencies, net of allowance	296,247	169,184
Contract receivables, net of allowance	18,906,098	24,305,521
Other	30,510	10,365
Investments	136,609,680	118,345,696
Prepaid expenses	1,121,069	622,267
Total current assets	203,238,952	186,953,015
Property and equipment, net	61,209,470	64,159,400
Other Assets		
Promises to give, net of current portion	3,523,020	1,831,837
Other	5,307,053	4,932,664
Total other assets	8,830,073	6,764,501
Total assets	\$ 273,278,495	\$ 257,876,916
	<u>Liabilities and Net Assets</u>	
Current Liabilities		
Accounts payable	\$ 4,637,431	\$ 6,231,051
Accrued salaries and compensated absences	8,130,532	8,017,599
Accrued retirement plan contributions	1,630,790	1,559,282
Accrued and withheld taxes	992,448	1,056,023
Accrued other expenses	1,639,579	1,521,871
Total current liabilities	17,030,780	18,385,826
Net Assets		
Unrestricted		
Board designated	7,431,675	10,035,438
Unrestricted	219,323,989	206,571,457
Temporarily restricted	29,414,051	22,806,195
Permanently restricted	78,000	78,000
Total net assets	256,247,715	239,491,090
Total liabilities and net assets	\$ 273,278,495	\$ 257,876,916

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, 2015 and 2014

	2015	2014
Unrestricted Net Assets		
Revenues and Support		
State of Tennessee contract revenue	\$ 62,736,355	\$ 56,952,490
State of Tennessee pass-through programs	-	227,069
Contract revenue	36,504,763	36,575,252
TennCare revenue	19,544,322	18,681,338
Medicaid revenue	40,099,077	40,716,274
Net private insurance	2,547,785	2,713,226
Grants	1,428,094	451,282
USDA	990,874	998,049
United Way	190,661	206,307
Other - local education authority, county, city, provider agency	2,018,016	1,797,204
Donations and pledges	6,767,567	9,659,716
Special events revenue	1,313,603	1,151,651
Less: costs of direct benefits to donors	(375,412)	(427,155)
Net revenues (loss) from special events	938,191	724,496
Dividends and interest on investments	89,724	463,069
Net gain on investments	4,399,514	16,313,515
Miscellaneous income	275,689	388,856
	178,530,632	186,868,143
Net assets released from restrictions	9,297,663	6,162,475
Total revenues and support	187,828,295	193,030,618
Expenses		
Program services	151,930,676	151,518,362
Management and general	21,837,874	21,708,985
Fundraising	3,910,976	3,853,748
Total expenses	177,679,526	177,081,095
Change in unrestricted net assets	10,148,769	15,949,523

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, 2015 and 2014

	2015	2014
Temporarily Restricted Net Assets		
Donations and pledges	15,905,519	16,157,014
In-kind donation of land	-	230,000
Net assets released from restrictions	(9,297,663)	(6,162,475)
Change in temporarily restricted net assets	6,607,856	10,224,539
Change in net assets	16,756,625	26,174,062
Net assets - beginning of year	239,491,090	213,317,028
Net assets - end of year	\$ 256,247,715	\$ 239,491,090

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, 2015 and 2014

	2015	2014
Cash Flows Provided By (Used For) Operating Activities:		
Change in net assets	\$ 16,756,625	\$ 26,174,062
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,612,727	5,796,288
Unrealized (gain) loss on investments	(4,392,653)	(16,678,776)
Realized (gain) loss on investments	(8,943)	(790)
(Gain) loss on disposal of property and equipment	(59,134)	(66,093)
Changes in Assets and Liabilities:		
Receivables	3,540,025	6,722,478
Prepaid expenses	(498,802)	(133,442)
Accounts payable	(1,593,620)	1,959,917
Accrued salaries and compensated balances	112,933	420,979
Accrued retirement plan contributions	71,508	(98,573)
Accrued and withheld taxes	(63,575)	124,912
Accrued other expenses	117,708	(146,808)
Total adjustments	2,838,174	(2,099,908)
Net cash provided by operating activities	19,594,799	24,074,154
Cash Flows From (Used For) Investing Activities:		
Purchase of property and equipment	(2,694,055)	(2,605,620)
Proceeds from the sale of property and equipment	90,392	77,003
In-kind donation of land	-	(230,000)
Investment in securities	(27,798,810)	(11,103,301)
Proceeds from sales of securities	13,936,422	1,414,905
Increase in sundry assets	(374,389)	(509,997)
Net cash used for investing activities	(16,840,440)	(12,957,010)
Net increase (decrease) in cash and cash equivalents	2,754,359	11,117,144
Cash and cash equivalents at beginning of the year	42,149,760	31,032,616
Cash and cash equivalents at end of the year	\$ 44,904,119	\$ 42,149,760

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

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

June 30, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Youth Villages, Inc. and Affiliates (the “Organization”) is a not-for-profit corporation designed to offer a comprehensive continuum of care to children and youth who are in need due to life circumstances including but not limited to emotional disturbance, mental illness, serious problem behaviors, and histories of abuse and neglect. The Organization recognizes that just as life circumstances can produce a broad spectrum of needs, an equally diverse array of services is required to meet those needs utilizing evidence and research based practices whenever possible. The programs offered vary in location from residential services to transitional living (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, Oregon 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, Connecticut, Kentucky, Mississippi, New Hampshire, North Carolina, Rhode Island, 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 Intercept (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. Intercept (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 Intercept (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 Transitional Living (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, 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.

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. and Youth Villages – Germaine Lawrence, Inc.

Basis of Consolidation

The consolidated financial statements include the accounts of Youth Villages, Inc., Youth Villages Foundation, Inc., and Youth Villages – Germaine Lawrence, 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. Restricted cash and cash equivalents total \$29,614,051 and \$22,806,195 as of June 30, 2015 and 2014, 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 \$494,049 and \$422,071 at June 30, 2015 and 2014, 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 \$147,043 and \$92,820 was established at June 30, 2015 and 2014, 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 2015 and 2014, 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 \$431,412 and \$586,888 for the years ended June 30, 2015 and 2014, 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.

Date of Management's Review

The Organization evaluated its June 30, 2015, consolidated financial statements for subsequent events through November 12, 2015, the date the consolidated financial statements were available to be issued. Except as disclosed in Note 18, 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 2006, the Organization began a capital campaign to fund the construction of a new research and development building. In 2007, the Organization began a capital campaign to fund the construction and operation of a Girls Intensive Residential Treatment Program facility which opened in January 2009. Promises to give are restricted to payment of the costs of constructing new program service facilities and other expansion activities. In 2015, the Organization received two new promises to give for growth funding. These unconditional contributions are recorded as income when contributed and have been discounted to net present value using a discount rate of 1.63% based on expected payments.

Promises to give are due as follows at June 30, 2015:

2016	\$ 1,403,648
2017	1,200,006
2018	971,189
2019	1,649,621
	<u>\$ 5,224,464</u>
Promises to give, current portion, net of allowance of \$32,419	<u>\$ 1,371,229</u>
Promises to give, long-term	\$ 3,820,816
Less discount to present value	(183,172)
Less allowance, non-current	(114,624)
	<u>\$ 3,523,020</u>

As of June 30, 2014, total promises to give were \$3,182,059, net of a discount to present value of \$130,473 and the allowance of \$92,820.

NOTE 4 – CONDITIONAL PROMISES 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 other organizations. Subject to certain defined program accomplishments, including service capacity, program quality, and financing goals, these organizations 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 years ended June 30, 2015 and 2014, the amount received and recorded by the Organization related to this agreement totaled \$7,600,000 and \$13,473,667, respectively. As of June 30, 2015 and 2014, the Organization had outstanding commitments of \$13,751,333 and \$21,351,333, respectively, which have not been recorded in the accompanying consolidated financial statements, nor will they be until the defined program accomplishments are met.

NOTE 5 – INVESTMENTS

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

	2015	
	Cost	Market Value
Mutual funds	\$ 23,828,398	\$ 20,832,111
Common stock	1,572,215	3,498,426
Private equity funds and master limited partnerships	24,155,965	27,956,524
Hedge funds	62,021,145	83,818,200
Real estate	555,000	504,419
Total	<u>\$ 112,132,723</u>	<u>\$ 136,609,680</u>
Cumulative unrealized gain on investments		<u>\$ 24,476,957</u>

	2014	
	Cost	Market Value
Mutual funds	\$ 19,628,489	\$ 26,136,084
Common stock	1,532,934	3,228,919
Private equity funds and master limited partnerships	16,414,931	22,550,162
Hedge funds	48,174,145	65,896,489
Real estate	650,000	534,042
Total	<u>\$ 86,400,499</u>	<u>\$ 118,345,696</u>
Cumulative unrealized gain on investments		<u>\$ 31,945,197</u>

The Organization holds shares in domestic and foreign companies that invest in derivative financial instruments for the purpose of hedging the risks of certain identifiable and anticipated transactions. In general, the types of risks hedged are those relating to the effects of stock selections through 1) borrowing money against their long positions and 2) borrowing securities in connection with short positions. The hedged investments are carried at fair market value. During 2015 and 2014, the Organization recognized a net gain of \$3,822,225 and \$7,954,413, respectively, from fair value hedges which are included in "Net gain (loss) on investments" in the consolidated statements of activities.

At June 30, 2015, the Foundation had commitments to fund private equity and master limited partnership investments of \$7,352,086 which are due upon request.

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

	2015			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Private equity funds and master limited partnerships	\$ 27,956,524	\$ 7,272,086	Monthly, quarterly, annually, or as provided	10-90 days
Real estate investment trusts	504,419	80,000	As provided	Not applicable
	<u>\$ 28,460,943</u>	<u>\$ 7,352,086</u>		
	2014			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Private equity funds and master limited partnerships	\$ 22,550,162	\$ 3,593,583	Monthly, quarterly, annually, or as provided	10-90 days
Real estate investment trusts	534,042	80,000	As provided	Not applicable
	<u>\$ 23,084,204</u>	<u>\$ 3,673,583</u>		

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. Investments in this category for which there is no readily determinable fair value are classified as Level 3, as the valuation is based on significant unobservable inputs. Redemptions are permitted during the life of the funds, and the redemption notice period ranges from 10-90 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. Investments in this category for which there is no readily determinable fair value are classified as Level 3, as the valuation is based on significant unobservable inputs. 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 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, 2015.

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

Common stocks 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, 2015 and 2014. All categories of mutual funds and common stock representing 5% or more of total assets at fair value are separately identified.

Assets at Fair Value as of June 30, 2015				
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Large blend	\$ 9,246,854	\$ -	\$ -	\$ 9,246,854
Other - below 5% threshold	11,585,257	-	-	11,585,257
Total mutual funds	20,832,111	-	-	20,832,111
Common Stock				
Other - below 5% threshold	3,498,426	-	-	3,498,426
Private equity funds and master limited partnerships	-	-	27,956,524	27,956,524
Hedge funds	-	-	83,818,200	83,818,200
Real estate	-	-	504,419	504,419
Total assets at fair value	\$ 24,330,537	\$ -	\$ 112,279,143	\$ 136,609,680

Assets at Fair Value as of June 30, 2014

	Level 1	Level 2	Level 3	Total
Mutual Funds				
Large blend	\$ 13,022,377	\$ -	\$ -	\$ 13,022,377
Other - below 5% threshold	13,113,707	-	-	13,113,707
Total mutual funds	26,136,084	-	-	26,136,084
Common Stock				
Other - below 5% threshold	3,228,919	-	-	3,228,919
Private equity funds and master limited partnerships	-	-	22,550,162	22,550,162
Hedge funds	-	-	65,896,489	65,896,489
Real estate	-	-	534,042	534,042
Total assets at fair value	<u>\$ 29,365,003</u>	<u>\$ -</u>	<u>\$ 88,980,693</u>	<u>\$ 118,345,696</u>

The following tables set forth summaries of changes in the fair value of the Organization's level 3 assets for the years ended June 30, 2015 and 2014:

	Year Ended June 30, 2015		
	Private Equity Funds and Ltd Partnerships	Hedge Funds	Real Estate
Balance, beginning of year	\$ 22,550,162	\$ 65,896,489	\$ 534,042
Total gains or losses for the period	786,846	3,822,225	65,377
Purchases, Sales, and Settlements:			
Purchases	8,708,436	14,999,486	-
Sales	-	(250,000)	-
Settlements	(4,088,920)	(650,000)	(95,000)
Balance, end of year	<u>\$ 27,956,524</u>	<u>\$ 83,818,200</u>	<u>\$ 504,419</u>
Changes in unrealized gains or losses for the period included in the change in unrestricted net assets, for assets held at the end of the reporting period	<u>\$ 786,846</u>	<u>\$ 3,822,225</u>	<u>\$ 65,377</u>

Year Ended June 30, 2014

	Private Equity Funds and Ltd Partnerships	Hedge Funds	Real Estate
Balance, beginning of year	\$ 16,726,058	\$ 50,442,076	\$ 577,586
Total gains or losses for the period	3,514,183	7,954,413	46,456
Purchases, Sales, and Settlements:			
Purchases	3,560,000	7,500,000	-
Sales	(300,000)	-	-
Settlements	(950,079)	-	(90,000)
Balance, end of year	<u>\$ 22,550,162</u>	<u>\$ 65,896,489</u>	<u>\$ 534,042</u>
Changes in unrealized gains or losses for the period included in the change in unrestricted net assets, for assets held at the end of the reporting period	<u>\$ 3,514,183</u>	<u>\$ 7,954,413</u>	<u>\$ 46,456</u>

NOTE 7 – PROPERTY AND EQUIPMENT

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

	2015	2014
Land	\$ 8,857,681	\$ 8,860,397
Buildings	66,873,968	67,156,239
Equipment and vehicles	21,001,137	19,623,200
Furniture and fixtures	6,140,755	5,902,224
Construction in progress	270,212	30,013
Land held for sale	1,352,087	1,437,542
	<u>104,495,840</u>	<u>103,009,615</u>
Less accumulated depreciation	<u>(43,286,370)</u>	<u>(38,850,215)</u>
	<u>\$ 61,209,470</u>	<u>\$ 64,159,400</u>

Construction in progress primarily consists of various construction projects including the installation of a data warehouse and the Boys Center Residential expansion project. As of June 30, 2015, the estimated cost to complete these projects was approximately \$21,210,000.

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, 2015, with all subsequent interest payments to be due on the same day of each

month thereafter. The line of credit matures on March 21, 2016, 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, 2015, the rate was 1.67%. The note is unsecured. As of June 30, 2015 and 2014, there were no draws on this line of credit.

NOTE 9 – NET ASSETS

Unrestricted, board designated net assets are \$7,431,675 at June 30, 2015. Of this amount, \$4,572,585 has been designated to pay benefits to key employees upon termination of employment. As a part of the merger agreement with ChristieCare, \$2,859,090 of the funds would revert back to Oregon if the Organization were to sell the facilities within 10 years from the date of the merger.

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

	2015	2014
Growth Capital Campaign	\$ 14,381,034	\$ 12,359,553
YVLifeSet (Transitional Living program)	9,747,261	6,159,294
Germaine Lawrence programs	515,621	515,621
Capital Projects	4,728,769	3,723,769
Equine Therapy Program	41,366	47,958
	\$ 29,414,051	\$ 22,806,195

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	2015	2014
YVLifeSet (Transitional Living program)	\$ 4,110,077	\$ 2,594,580
Growth Capital Campaign	5,178,519	2,915,231
Capital Projects	-	643,597
Equine Therapy Program	9,067	9,067
	\$ 9,297,663	\$ 6,162,475

Permanently restricted net assets of \$78,000 at June 30, 2015 and 2014 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 10 – LEASE COMMITMENTS

The Organization maintains various lease agreements for certain administrative and operating facilities in Alabama, Arkansas, District of Columbia, Florida, Georgia, Indiana, Massachusetts, Mississippi, New Hampshire, North Carolina, Oklahoma, Oregon, and Tennessee. Total rental expense for such real property was \$2,479,119 and \$2,539,205 for the years ended June 30, 2015 and 2014, respectively. Certain leases are subject to rental escalation clauses in future years.

Minimum lease commitments in fiscal years subsequent to June 30, 2015 are as follows:

2016	\$ 1,737,336
2017	1,208,323
2018	559,033
2019	37,692
2020	3,000
Thereafter	10,000
	<u>\$ 3,555,384</u>

NOTE 11 – 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 12 – 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. Employees may make voluntary rollover contributions from other qualified pension, profit sharing, or IRA plans. Employer contributions for the years ended June 30, 2015 and 2014 were \$3,058,988 and \$3,258,444, respectively.

NOTE 13 – RELATED PARTY TRANSACTIONS

Youth Villages, Inc. is affiliated through common management and membership with Youth Villages Foundation, Inc. and Youth Villages - Germaine Lawrence, Inc. The Foundation collects donations and pledges for Youth Villages, Inc. and Youth Villages - Germaine Lawrence, Inc. which totaled \$15,948,042 and \$18,411,046 for the year ended June 30, 2015 and 2014, respectively. Also, Youth Villages, Inc., Youth Villages - Germaine Lawrence, Inc., and Youth Villages Foundation Inc. have intercompany receivables/payables which totaled \$41,643,170 and \$31,465,873 as of June 30, 2015 and 2014, respectively. These amounts have been eliminated in the consolidation.

In the normal course of business, Youth Villages, Inc. purchased products and services from local companies who have individuals serving on their Board of Directors.

The following expenditures were made during 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Insurance premiums	\$ 288,000	\$ 285,000
Specialty items and services	18,022	16,221
	<u>\$ 306,022</u>	<u>\$ 301,221</u>

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. Also, an officer of Youth Villages, Inc. serves on the Board of Directors of one of these banking institutions. The amount of funds maintained at these institutions at June 30, 2015 and 2014 was \$39,617,355 and \$48,448,600, respectively.

NOTE 14 – INSURANCE POLICIES

Youth Villages, Inc. maintains life insurance policies on certain key employees of the Organization. As of June 30, 2015 and 2014, the cash value of these policies totaled \$4,572,585 and \$4,223,113, respectively and are included in “Other Assets” on the consolidated statements of financial position.

NOTE 15 – ECONOMIC DEPENDENCY

Youth Villages, Inc. relies upon the State of Tennessee as its major source of revenue. For the years ended June 30, 2015 and 2014, revenues from the State of Tennessee were \$82,280,677 and \$75,860,897, respectively. These revenues represented 49% and 47% of total revenue for Youth Villages, Inc. for the years ended June 30, 2015 and 2014, 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 49% in 2015.

NOTE 16 – UNCERTAINTIES

The Medicaid program accounted for approximately 20% and 22% of Youth Villages, Inc.’s total revenue for the years ended June 30, 2015 and 2014, respectively. For the years ended June 30, 2015, and 2014, the Medicaid program also accounted for approximately 9% and 8%, respectively, of total revenue for Youth Villages - Germaine Lawrence, Inc. 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 17 – 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 18 – LETTERS OF CREDIT

The Organization has established two letters of credit with a bank, which name an insurance company as beneficiary. The Organization is self-insured with regard to workers' compensation, and the letters of credit were established to cover workers' compensation claims in the event of default on the part of the Organization. The letters of credit allow beneficiary drawings up to \$70,000 and \$2,145,000; they expire October 19, 2015 and December 16, 2015, respectively. Subsequent to year end, the \$70,000 letter of credit expiring on October 19, 2015 was renewed until October 18, 2016 and increased to \$85,000; the \$2,145,000 letter of credit expiring on December 16, 2015 was renewed until December 16, 2016 and increased to \$2,490,000. As of June 30, 2015 and 2014, there were no drawings made by the beneficiary.

SUPPLEMENTAL INFORMATION

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

June 30, 2015

	Youth Villages, Inc.	Youth Villages Foundation, Inc.	Youth Villages - Germaine Lawrence, Inc.	Eliminations	Total
Current Assets					
Cash and cash equivalents	\$ 14,766,305	\$ 30,097,351	\$ 40,463	\$ -	\$ 44,904,119
Receivables					
Affiliate	36,393,440	-	5,249,730	(41,643,170)	-
Promises to give, current portion	-	1,371,229	-	-	1,371,229
Grantor agencies, net of allowance	284,247	-	12,000	-	296,247
Contract receivables, net of allowance	18,906,098	-	-	-	18,906,098
Other	30,510	-	-	-	30,510
Investments	-	136,609,680	-	-	136,609,680
Prepaid expenses	1,098,076	18,289	4,704	-	1,121,069
Total current assets	<u>71,478,676</u>	<u>168,096,549</u>	<u>5,306,897</u>	<u>(41,643,170)</u>	<u>203,238,952</u>
Property and Equipment					
Land	6,904,310	-	1,953,371	-	8,857,681
Buildings	60,861,157	-	6,012,811	-	66,873,968
Equipment and vehicles	19,841,326	151,602	1,008,209	-	21,001,137
Furniture and fixtures	5,993,799	57,794	89,162	-	6,140,755
Construction in progress	270,212	-	-	-	270,212
Land held for sale	1,352,087	-	-	-	1,352,087
	<u>95,222,891</u>	<u>209,396</u>	<u>9,063,553</u>	<u>-</u>	<u>104,495,840</u>
Accumulated depreciation	<u>(41,516,574)</u>	<u>(89,837)</u>	<u>(1,679,959)</u>	<u>-</u>	<u>(43,286,370)</u>
Total property and equipment	<u>53,706,317</u>	<u>119,559</u>	<u>7,383,594</u>	<u>-</u>	<u>61,209,470</u>
Other Assets					
Promises to give, net of current portion	-	3,523,020	-	-	3,523,020
Other	5,307,053	-	-	-	5,307,053
Total other assets	<u>5,307,053</u>	<u>3,523,020</u>	<u>-</u>	<u>-</u>	<u>8,830,073</u>
Total assets	<u>\$ 130,492,046</u>	<u>\$ 171,739,128</u>	<u>\$ 12,690,491</u>	<u>\$ (41,643,170)</u>	<u>\$ 273,278,495</u>

See independent auditor's report.

	Youth Villages, Inc.	Youth Villages Foundation, Inc.	Youth Villages - Germaine Lawrence, Inc.	Eliminations	Total
Current Liabilities					
Accounts payable	\$ 4,367,827	\$ 107,554	\$ 162,050	\$ -	\$ 4,637,431
Accounts payable - affiliate	-	33,896,149	7,747,021	(41,643,170)	-
Accrued salaries and compensated absences	7,951,155	107,128	72,249	-	8,130,532
Accrued retirement plan contributions	1,491,819	36,524	102,447	-	1,630,790
Accrued and withheld taxes	966,181	22,187	4,080	-	992,448
Accrued other expenses	1,541,127	16,452	82,000	-	1,639,579
Total current liabilities	16,318,109	34,185,994	8,169,847	(41,643,170)	17,030,780
Net Assets					
Unrestricted					
Board designated	4,572,585	2,859,090	-	-	7,431,675
Unrestricted	109,601,352	105,201,993	4,520,644	-	219,323,989
Temporarily restricted	-	29,414,051	-	-	29,414,051
Permanently restricted	-	78,000	-	-	78,000
Total net assets	114,173,937	137,553,134	4,520,644	-	256,247,715
Total liabilities and net assets	\$ 130,492,046	\$ 171,739,128	\$ 12,690,491	\$ (41,643,170)	\$ 273,278,495

YOUTH VILLAGES, INC. AND AFFILIATES
CONSOLIDATING SCHEDULE OF ACTIVITIES

For the Year Ended June 30, 2015

	Youth Villages Inc.	Youth Villages Foundation Inc.	Youth Villages - Germaine Lawrence, Inc.	Eliminations	Total
Unrestricted Net Assets					
Revenues and Support					
State of Tennessee contract revenue	\$ 62,736,355	\$ -	\$ -	\$ -	\$ 62,736,355
Contract revenue	27,014,391	-	9,490,372	-	36,504,763
TennCare revenue	19,544,322	-	-	-	19,544,322
Medicaid revenue	38,896,403	-	1,202,674	-	40,099,077
Net private insurance	2,541,825	-	5,960	-	2,547,785
Grants	1,276,360	151,734	-	-	1,428,094
USDA	919,471	-	71,403	-	990,874
United Way	-	190,661	-	-	190,661
Other - local education authority, county, city, provider agency	1,921,631	-	96,385	-	2,018,016
Donations and pledges	13,176,722	9,893,411	2,650,431	(18,952,997)	6,767,567
Special events revenue	-	1,313,603	-	-	1,313,603
Less: costs of direct benefits to donors	-	(375,412)	-	-	(375,412)
Net revenues from special events	-	938,191	-	-	938,191
Investments	66,752	22,972	-	-	89,724
Net gain on investments	-	4,399,514	-	-	4,399,514
Miscellaneous income	272,665	-	3,024	-	275,689
	168,366,897	15,596,483	13,520,249	(18,952,997)	178,530,632
Net assets released from restrictions	-	9,297,663	-	-	9,297,663
Total revenues and support	168,366,897	24,894,146	13,520,249	(18,952,997)	187,828,295
Expenses					
Charitable contributions	806,665	15,962,442	2,183,890	(18,952,997)	-
Program services	140,672,150	-	11,258,526	-	151,930,676
Management and general	21,539,313	220,728	77,833	-	21,837,874
Fundraising	-	3,910,976	-	-	3,910,976
Total expenses	163,018,128	20,094,146	13,520,249	(18,952,997)	177,679,526
Change in unrestricted net assets	5,348,769	4,800,000	-	-	10,148,769

See independent auditor's report.

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

For the Year Ended June 30, 2015

	Youth Villages Inc.	Youth Villages Foundation Inc.	Youth Villages - Germaine Lawrence, Inc.	Eliminations	Total
Temporarily Restricted Net Assets					
Donations and pledges	-	15,905,519	-	-	15,905,519
Net assets released from restrictions	-	(9,297,663)	-	-	(9,297,663)
Change in temporarily restricted net assets	-	6,607,856	-	-	6,607,856
Change in net assets	5,348,769	11,407,856	-	-	16,756,625
Net assets - beginning of year	108,825,168	126,145,278	4,520,644	-	239,491,090
Net assets - end of year	<u>\$ 114,173,937</u>	<u>\$ 137,553,134</u>	<u>\$ 4,520,644</u>	<u>\$ -</u>	<u>\$ 256,247,715</u>

See independent auditor's report.

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

For the Year Ended June 30, 2015

	Youth Villages, Inc.	Youth Villages Foundation, Inc.	Youth Villages - Germaine Lawrence, Inc.	Eliminations	Total
Cash Flows Provided By (Used For)					
Operating Activities:					
Change in net assets	\$ 5,348,769	\$ 11,407,856	\$ -	\$ -	\$ 16,756,625
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation	4,945,655	16,682	650,390	-	5,612,727
Unrealized gain on investments	-	(4,392,653)	-	-	(4,392,653)
Realized loss on investments	-	(8,943)	-	-	(8,943)
Loss (gain) on disposal of equipment	(59,134)	-	-	-	(59,134)
Changes in Assets and Liabilities:					
Receivables	4,511,600	(1,712,190)	740,615	-	3,540,025
Receivables - affiliate	(7,531,701)	-	(2,645,596)	10,177,297	-
Prepaid expenses	(494,191)	(6,280)	1,669	-	(498,802)
Accounts payable	(1,166,566)	(60,205)	(366,849)	-	(1,593,620)
Accounts payable - affiliate	-	8,804,605	1,372,692	(10,177,297)	-
Accrued salaries and comp absences	108,380	(13,096)	17,649	-	112,933
Accrued retirement plan contributions	69,482	3,125	(1,099)	-	71,508
Accrued and withheld taxes	(67,698)	2,164	1,959	-	(63,575)
Accrued other expenses	102,439	4,074	11,195	-	117,708
Total adjustments	<u>418,266</u>	<u>2,637,283</u>	<u>(217,375)</u>	<u>-</u>	<u>2,838,174</u>
Net cash provided by (used for) operating activities	5,767,035	14,045,139	(217,375)	-	19,594,799
Cash Flows From (Used For) Investing Activities:					
Purchase of property and equipment	(2,465,312)	-	(228,743)	-	(2,694,055)
Proceeds from the sale of equipment	90,392	-	-	-	90,392
In-kind donation of land	-	-	-	-	-
Investment in securities	-	(27,798,810)	-	-	(27,798,810)
Proceeds from sales of securities	-	13,936,422	-	-	13,936,422
Increase in sundry assets	(374,389)	-	-	-	(374,389)
Net cash used for investing activities	(2,749,309)	(13,862,388)	(228,743)	-	(16,840,440)
Net increase (decrease) in cash and cash equivalents	3,017,726	182,751	(446,118)	-	2,754,359
Cash and cash equivalents at beginning of the year	<u>11,748,579</u>	<u>29,914,600</u>	<u>486,581</u>	<u>-</u>	<u>42,149,760</u>
Cash and cash equivalents at end of the year	<u>\$ 14,766,305</u>	<u>\$ 30,097,351</u>	<u>\$ 40,463</u>	<u>\$ -</u>	<u>\$ 44,904,119</u>

See independent auditor's report.

YOUTH VILLAGES, INC. AND AFFILIATES
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2015

	Dogwood Residential	Bartlett Campus Residential	Deer Valley Residential	Boys CIRT Residential	Girls CIRT Residential	Marylhurst Residential	Day Treatment (MS)
Salaries and wages	\$ 4,239,099	\$ 5,461,470	\$ 2,328,310	\$ 4,822,856	\$ 4,081,380	\$ 3,037,068	\$ 29,685
Employee benefits	1,117,497	1,568,070	895,017	1,288,184	1,361,376	897,899	6,312
Clothing allowance	21,271	25,198	-	-	-	-	-
Communications	27,550	44,392	41,234	17,717	17,931	14,980	717
General insurance	66,412	111,424	31,031	45,459	45,519	58,724	288
Miscellaneous	49,588	120,085	42,469	69,252	47,233	27,500	446
Professional services	222,832	170,703	105,373	367,299	178,028	360,498	406
Rent	-	-	1,200	-	-	-	-
Repairs and maintenance	205,586	380,646	101,053	126,509	206,151	257,646	-
Supplies	580,191	687,898	380,356	630,341	548,833	359,471	418
Training and seminars	16,860	22,338	8,502	15,789	16,530	17,251	-
Travel	98,005	176,694	128,525	62,134	66,235	93,321	5,908
Bad debt expense	4,445	5,813	13,368	9,965	6,080	81,115	-
Special events direct costs	-	-	-	-	-	-	-
Utilities	132,520	218,154	132,314	137,133	138,817	96,742	-
	<u>6,781,856</u>	<u>8,992,885</u>	<u>4,208,752</u>	<u>7,592,638</u>	<u>6,714,113</u>	<u>5,302,215</u>	<u>44,180</u>
Less: costs of direct benefits to donors	-	-	-	-	-	-	-
Total functional expenses before depreciation	6,781,856	8,992,885	4,208,752	7,592,638	6,714,113	5,302,215	44,180
Depreciation	308,743	545,061	214,920	288,056	413,490	397,943	-
Total	<u>\$ 7,090,599</u>	<u>\$ 9,537,946</u>	<u>\$ 4,423,672</u>	<u>\$ 7,880,694</u>	<u>\$ 7,127,603</u>	<u>\$ 5,700,158</u>	<u>\$ 44,180</u>

See independent auditor's report.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended June 30, 2015

	Cedar Bough Residential	Inner Harbour	Therapeutic Foster care	In-Home Services	Group Homes	Adoptions	YVLifeSet
Salaries and wages	\$ -	\$ 6,661,234	\$ 5,756,163	\$ 29,185,314	\$ 4,837,593	\$ 345,256	\$ 6,426,585
Employee benefits	(127)	2,235,908	1,537,672	7,294,222	1,360,714	72,139	1,533,884
Clothing allowance	-	-	-	-	-	-	-
Communications	99	17,986	114,670	874,165	74,326	2,840	85,424
General insurance	4,200	136,895	30,030	124,433	37,884	8,700	29,727
Miscellaneous	918	82,705	398,618	832,024	75,755	6,762	458,877
Professional services	-	651,943	6,630,397	908,912	46,795	-	77,194
Rent	-	-	176,924	1,756,346	18,000	-	263,858
Repairs and maintenance	24,205	434,020	122,910	788,218	176,225	1,060	81,293
Supplies	418	910,232	279,101	538,599	568,671	7,421	93,947
Training and seminars	-	17,148	44,866	225,651	17,989	2,601	33,185
Travel	14	137,132	777,987	4,765,606	157,463	22,418	868,144
Bad debt expense	-	274,162	4,620	98,052	375	-	-
Special events direct costs	-	-	-	-	-	-	-
Utilities	11,243	224,755	26,848	149,766	78,072	-	8,684
	<u>40,970</u>	<u>11,784,120</u>	<u>15,900,806</u>	<u>47,541,308</u>	<u>7,449,862</u>	<u>469,197</u>	<u>9,960,802</u>
Less: costs of direct benefits to donors	-	-	-	-	-	-	-
Total functional expenses before depreciation	40,970	11,784,120	15,900,806	47,541,308	7,449,862	469,197	9,960,802
Depreciation	52,211	685,541	53,828	519,512	225,745	-	11,910
Total	<u>\$ 93,181</u>	<u>\$ 12,469,661</u>	<u>\$ 15,954,634</u>	<u>\$ 48,060,820</u>	<u>\$ 7,675,607</u>	<u>\$ 469,197</u>	<u>\$ 9,972,712</u>

See independent auditor's report.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended June 30, 2015

	Mentoring	Crisis Services	Germaine Lawrence Residential	Germaine Lawrence CBHI/Intercept	Germaine Lawrence Group Home	Total Program Services
Salaries and wages	\$ 146,119	\$ 2,569,093	\$ 6,398,063	\$ 405,381	\$ -	\$ 86,730,669
Employee benefits	50,864	692,435	1,455,739	92,721	2	23,460,528
Clothing allowance	-	-	34,229	-	-	80,698
Communications	3,394	91,232	65,575	3,583	-	1,497,815
General insurance	3,708	13,639	38,848	1,512	720	789,153
Miscellaneous	7,528	37,421	129,018	3,660	-	2,389,859
Professional services	-	17,977	492,086	1,600	-	10,232,043
Rent	-	160,959	51,766	-	-	2,429,053
Repairs and maintenance	6,761	49,918	409,713	-	1,896	3,373,810
Supplies	1,639	17,314	617,564	5,595	-	6,228,009
Training and seminars	1,322	7,753	15,436	1,284	-	464,505
Travel	2,750	261,319	124,718	26,912	-	7,775,285
Bad debt expense	-	-	-	2,355	-	500,350
Special events direct costs	-	-	-	-	-	-
Utilities	-	9,697	228,496	-	3,527	1,596,768
	<u>224,085</u>	<u>3,928,757</u>	<u>10,061,251</u>	<u>544,603</u>	<u>6,145</u>	<u>147,548,545</u>
Less: costs of direct benefits to donors	-	-	-	-	-	-
Total functional expenses before depreciation	224,085	3,928,757	10,061,251	544,603	6,145	147,548,545
Depreciation	-	18,644	636,296	7,514	2,717	4,382,131
Total	<u>\$ 224,085</u>	<u>\$ 3,947,401</u>	<u>\$ 10,697,547</u>	<u>\$ 552,117</u>	<u>\$ 8,862</u>	<u>\$ 151,930,676</u>

See independent auditor's report.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended June 30, 2015

	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 10,690,780	\$ 1,992,234	\$ 99,413,683
Employee benefits	3,483,251	452,904	27,396,683
Clothing allowance	-	-	80,698
Communications	675,144	478,696	2,651,655
General insurance	196,375	-	985,528
Miscellaneous	491,951	-	2,881,810
Professional services	1,227,443	426,275	11,885,761
Rent	20,066	30,000	2,479,119
Repairs and maintenance	1,950,193	126,777	5,450,780
Supplies	908,280	289,350	7,425,639
Training and seminars	82,945	10,745	558,195
Travel	593,074	87,313	8,455,672
Bad debt expense	-	-	500,350
Special events direct costs	-	375,412	375,412
Utilities	304,458	-	1,901,226
	20,623,960	4,269,706	172,442,211
Less: costs of direct benefits to donors	-	375,412	375,412
Total functional expenses before depreciation	20,623,960	3,894,294	172,066,799
Depreciation	1,213,914	16,682	5,612,727
Total	\$ 21,837,874	\$ 3,910,976	\$ 177,679,526

See independent auditor's report.

YOUTH VILLAGES, INC. AND AFFILIATES
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2014

	Dogwood Residential	Bartlett Campus Residential	Deer Valley Residential	Boys CIRT Residential	Girls CIRT Residential	Marylhurst Residential	Day Treatment (MS)
Salaries and benefits	\$ 4,146,949	\$ 5,201,815	\$ 2,176,052	\$ 4,602,971	\$ 4,051,485	\$ 3,332,941	\$ 5,835
Employee benefits	1,165,088	1,457,444	683,440	1,315,686	1,343,655	1,164,685	2,123
Clothing allowance	22,985	25,962	-	-	-	-	-
Communications	33,946	64,623	45,005	15,480	16,992	14,001	1,272
General insurance	64,892	117,475	26,126	43,626	40,950	60,602	-
Miscellaneous	45,202	111,143	37,415	49,161	28,116	27,726	13
Professional services	156,780	158,100	37,573	159,631	157,226	379,728	-
Rent	-	-	1,292	-	-	-	3,500
Repairs and maintenance	213,990	388,282	121,728	189,261	204,808	224,663	1,696
Supplies	656,929	693,161	346,147	640,728	647,318	410,780	473
Training and seminars	20,926	38,843	8,130	17,637	22,823	29,075	-
Travel	93,867	182,038	127,351	52,406	69,885	71,571	1,621
Bad debt expense	108,152	116,326	94,388	59,676	(153,513)	96,680	-
Special events direct costs	-	-	-	-	-	-	-
Utilities	137,607	244,468	143,406	148,774	154,490	100,251	-
	<u>6,867,313</u>	<u>8,799,680</u>	<u>3,848,053</u>	<u>7,295,037</u>	<u>6,584,235</u>	<u>5,912,703</u>	<u>16,533</u>
Less: costs of direct benefits to donors	-	-	-	-	-	-	-
Total functional expenses before depreciation and amortization	6,867,313	8,799,680	3,848,053	7,295,037	6,584,235	5,912,703	16,533
Depreciation	285,646	562,738	181,051	297,954	495,379	473,934	-
Amortization	-	-	-	-	-	-	-
Total depreciation and amortization	<u>285,646</u>	<u>562,738</u>	<u>181,051</u>	<u>297,954</u>	<u>495,379</u>	<u>473,934</u>	<u>-</u>
Total	<u>\$ 7,152,959</u>	<u>\$ 9,362,418</u>	<u>\$ 4,029,104</u>	<u>\$ 7,592,991</u>	<u>\$ 7,079,614</u>	<u>\$ 6,386,637</u>	<u>\$ 16,533</u>

See independent auditor's report.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended June 30, 2014

	Cedar Bough Residential	Inner Harbour	Therapeutic Foster Care	In-Home Services	Group Homes	Adoptions	YVLifeSet
Salaries and benefits	\$ -	\$ 6,545,336	\$ 5,570,912	\$ 27,733,900	\$ 4,492,387	\$ 332,111	\$ 5,995,337
Employee benefits	21	1,648,673	1,595,757	7,458,709	1,101,515	74,510	1,599,868
Clothing allowance	-	-	-	-	-	-	-
Communications	561	21,631	117,868	917,497	72,844	3,312	83,101
General insurance	3,840	138,314	26,976	116,041	40,188	6,588	31,530
Miscellaneous	1,029	57,776	530,505	667,370	57,693	12,924	380,517
Professional services	-	467,984	6,628,730	840,239	42,592	600	30,068
Rent	-	-	166,738	1,827,367	18,000	-	243,886
Repairs and maintenance	9,349	386,657	108,550	809,200	147,685	990	67,210
Supplies	128	891,480	163,409	446,342	519,120	2,021	63,566
Training and seminars	-	20,240	64,569	211,388	20,061	2,408	43,434
Travel	-	141,284	752,927	4,665,758	161,965	18,204	814,937
Bad debt expense	-	1,331,803	1,153,603	391,445	65,748	-	-
Special events direct costs	-	-	-	-	-	-	-
Utilities	12,263	256,769	25,646	147,816	83,997	-	8,435
	27,191	11,907,947	16,906,190	46,233,072	6,823,795	453,668	9,361,889
Less: costs of direct benefits to donors	-	-	-	-	-	-	-
Total functional expenses before depreciation and amortization	27,191	11,907,947	16,906,190	46,233,072	6,823,795	453,668	9,361,889
Depreciation	62,048	676,490	47,939	545,687	276,858	-	35,254
Amortization	-	-	-	-	-	-	-
Total depreciation and amortization	62,048	676,490	47,939	545,687	276,858	-	35,254
Total	\$ 89,239	\$ 12,584,437	\$ 16,954,129	\$ 46,778,759	\$ 7,100,653	\$ 453,668	\$ 9,397,143

See independent auditor's report.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended June 30, 2014

	Care Coordination	Mentoring	Crisis Services	Germaine Lawrence Residential	Germaine Lawrence CBHI/Intercept	Germaine Lawrence Group Home	Total Program Services
Salaries and benefits	\$ 31,490	\$ 143,591	\$ 3,461,688	\$ 6,028,780	\$ 366,376	\$ -	\$ 84,219,956
Employee benefits	9,881	39,777	833,147	1,978,382	79,979	-	23,552,340
Clothing allowance	-	-	-	38,502	-	-	87,449
Communications	357	1,683	110,120	27,956	3,446	837	1,552,532
General insurance	132	2,808	16,003	37,320	1,764	636	775,811
Miscellaneous	65	8,721	37,431	109,258	3,028	100	2,165,193
Professional services	25,060	4,249	27,919	593,423	5,945	-	9,715,847
Rent	-	-	180,977	-	-	-	2,441,760
Repairs and maintenance	-	1,151	76,491	288,194	2,467	3,606	3,245,978
Supplies	-	1,079	14,279	561,997	3,833	-	6,062,790
Training and seminars	95	95	21,337	15,246	3,096	-	539,403
Travel	70	3,765	320,395	163,972	20,446	-	7,662,462
Bad debt expense	-	-	-	18,817	6,812	-	3,289,937
Special events direct costs	-	-	-	-	-	-	-
Utilities	-	-	10,641	185,454	-	4,733	1,664,750
	<u>67,150</u>	<u>206,919</u>	<u>5,110,428</u>	<u>10,047,301</u>	<u>497,192</u>	<u>9,912</u>	<u>146,976,208</u>
Less: costs of direct benefits to donors	-	-	-	-	-	-	-
Total functional expenses before depreciation and amortization	67,150	206,919	5,110,428	10,047,301	497,192	9,912	146,976,208
Depreciation	-	-	16,655	575,042	6,762	2,717	4,542,154
Amortization	-	-	-	-	-	-	-
Total depreciation and amortization	-	-	16,655	575,042	6,762	2,717	4,542,154
Total	<u>\$ 67,150</u>	<u>\$ 206,919</u>	<u>\$ 5,127,083</u>	<u>\$ 10,622,343</u>	<u>\$ 503,954</u>	<u>\$ 12,629</u>	<u>\$ 151,518,362</u>

See independent auditor's report.

YOUTH VILLAGES, INC. AND AFFILIATES

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended June 30, 2014

	Management and General	Fundraising	Total Expenses
Salaries and benefits	\$ 11,985,185	\$ 2,151,199	\$ 98,356,340
Employee benefits	3,009,793	427,537	26,989,670
Clothing allowance	-	-	87,449
Communications	698,608	550,869	2,802,009
General insurance	211,489	-	987,300
Miscellaneous	447,211	-	2,612,404
Professional services	1,181,482	134,379	11,031,708
Rent	67,445	30,404	2,539,609
Repairs and maintenance	1,071,576	90,311	4,407,865
Supplies	738,591	362,832	7,164,213
Training and seminars	69,775	12,458	621,636
Travel	599,751	80,462	8,342,675
Bad debt expense	-	-	3,289,937
Special events direct costs	-	427,155	427,155
Utilities	387,242	-	2,051,992
	<u>20,468,148</u>	<u>4,267,606</u>	<u>171,711,962</u>
Less: costs of direct benefits to donors	-	427,155	427,155
Total functional expenses before depreciation and amortization	20,468,148	3,840,451	171,284,807
Depreciation	1,240,837	13,297	5,796,288
Amortization	-	-	-
Total depreciation and amortization	<u>1,240,837</u>	<u>13,297</u>	<u>5,796,288</u>
Total	<u>\$ 21,708,985</u>	<u>\$ 3,853,748</u>	<u>\$ 177,081,095</u>

See independent auditor's report.