



**CONFIDENTIAL**  
Private Placement Memorandum  
**EXECUTIVE SUMMARY**  
November 2011

Youth Villages, Inc., 3320 Brother Blvd., Memphis, TN 38133

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*Devon, 14 & Natalie*



# Executive Summary

Youth Villages represents an opportunity for tremendous national social impact and genuine philanthropic investment.

Every year, 1 in 20 children (ages 0-17)<sup>1</sup> in America is referred into state child welfare systems. Many more are at risk of being taken into state custody, and additional youth with significant mental health needs would likely enter the child welfare system if left untreated.

The United States spends more than \$23 billion raising 550,000 children<sup>2</sup>—often using approaches that fail to reflect what best helps children and what strengthens families. Besides being costly, the results are poor. Among children who “age out” of the system, 25% are homeless, nearly 20% live in poverty, 45% don’t complete high school or earn a GED, and 50% are unemployed 18 months later.<sup>3</sup> For those in the system, long institutional stays and multiple placements are the norm. Youth Villages’ findings indicate that 60% of youth in state custody do not need to be there<sup>4</sup> and could be helped effectively with intensive in-home support. The overwhelming cost of lost productivity and wasted resources produced by these systems is unacceptable. Neither our children nor our state governments can afford business as usual.

Based on its quarter-century of working with children in very tough circumstances, Youth Villages has come to believe that children are best raised by their families—a belief often at odds with our nation’s child welfare, juvenile justice, and mental health systems. Given this belief, it has developed a continuum of evidence/outcomes-based interventions directed toward family preservation and reunification. Youth Villages’ approach—Evidentiary Family Restoration™ (EFR)—offers a broad spectrum of services, guidance, support, and accountability measures geared to strengthening children and families and helping them live together successfully.

The results speak for themselves. Youth Villages consistently has achieved an 82% success rate at 24 months following discharge—more than double national norms—meaning that youth are living successfully at home with their family.<sup>5</sup> It also has achieved 92% parental satisfaction.<sup>6</sup> Moreover, Youth Villages creates economic benefits for state payors: intensive in-home services cost on average \$110/day compared with residential rates of \$330/day, and the length of stay is typically one-third that of residential treatment.<sup>7</sup> In Tennessee, where Youth Villages has worked most deeply, the results have been remarkable: Since 1996, the number of Tennessee youth in state custody has decreased by nearly 40% while national numbers have fallen by less than half that amount.<sup>8</sup> Overall, Tennessee’s reunification rates rose to 70%.<sup>9</sup>

*Youth Villages consistently has achieved an **82%** success rate at 24 months following discharge.*

Last year, Casey Family Programs, one of the leading national philanthropic organizations on these issues, published a case study that highlights Tennessee and its partnership with Youth Villages as a national model of success.<sup>10</sup> And the White House Domestic Policy Council has recognized Youth Villages as a great example for social services organizations.<sup>11</sup>



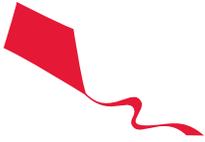
Over the past five years (FY08-FY12), Youth Villages has successfully deployed a first round of growth capital (GCAP) and used this \$40 million investment to address this national challenge and build its presence beyond Tennessee. Youth Villages was successful in meeting all of its GCAP performance milestones one year earlier than anticipated. The organization has grown from serving ~12,320 youth in FY08 to ~18,465 in FY12. During this time, Youth Villages has successfully expanded its services, further improved outcomes, and even more importantly, has built significant state operations in Georgia, Massachusetts, and North Carolina, clearly demonstrating that its solution is effective for children in a wide variety of state environments.

From a predominantly Tennessee-based organization, Youth Villages has been transformed into a nonprofit that helps almost as many children outside its home state as within it, is financially sustainable, and is one of a few national players well positioned to transform national policy to show how best to serve America's most vulnerable children.

There is, however, still much work to be done. Youth Villages is committed to shifting the entire country's fundamental belief and approach from removing children from the home to investing to preserve and build strong families.

“Youth Villages stepped up and came into our home. To have a counselor like Andrea was great. She was patient with us. Everything is good now, and we are closer.”

– Yolanda, Mom of Tierra, 15



While Youth Villages has made strides in new states, there are still significant gaps in service, leadership, and influence to address. Based on its experience and commitment to continuous improvement, Youth Villages knows it must close these gaps to achieve a presence as deep and influential in other states as it has in Tennessee. Over the next five years (FY13-FY17), this will require Youth Villages to:

## **1. Build strong organizations in key states that can achieve the kind of systems transformation that has occurred in Tennessee by**

- **Supporting critical leadership investments in high-potential states**
- **Pursuing strategic opportunities, such as mergers and acquisitions, to deepen partnerships with states**

## **2. Clearly establish the EFR™ approach in government, academic, and youth services circles as the leading model for addressing the needs of vulnerable young people across the nation. This will occur by**

- **Strengthening the evidence base and further validating a strong return on investment via randomized control trials**
- **Driving the national conversation regarding the benefits of intensive in-home services**

## **3. Strengthen the national organization by**

- **Increasing national business development/government relations bandwidth**
- **Expanding leadership/staff development initiatives**
- **Adding strategy function and expanding fundraising/development activities**

These efforts combine to provide Youth Villages a powerful platform to influence what policymakers, judges, and youth advocates believe is possible, creating the platform that was integral to the systems improvement that has been achieved in Tennessee.

As a result, by 2017, Youth Villages will be reaching more than 21,700 youth annually; and in three to five key states, the organization will have the ongoing funding mechanisms, leadership, business development approaches, and key external champions in place to enable systems transformation and organizational sustainability. Most importantly, Youth Villages will be successfully positioned to serve as the leading “proof point,” clearly showing how troubled youth and families should and can be served successfully in our country.



## Total Capital Requirement

While Youth Villages has the proven business model, evidence/outcomes-based interventions, and management expertise to succeed, it needs significant philanthropic investment to build a stronger national network of influence and the state-level structures required to fuel this next round of success. To meet these ambitious goals, Youth Villages is launching a \$100 million, five-year comprehensive growth and sustainability campaign, called Youth Villages 3.0.

Phase I seeks to raise a new round of growth capital, totaling \$45 million, and will be targeting a select group of high-impact investors at the \$1 million+ level. Similar to GCAP, all Phase I investor funds will be aggregated, with a common set of investment terms and performance benchmarks, as well as quarterly reporting to all investors.

Phase II seeks to raise \$55 million to support broader organizational funding needs over the next five years. First, with The Day Foundation's recent challenge grant, Youth Villages will seek to build public/private state partnerships specifically to support the expansion and long-term sustainability of its highly effective transitional living program for youth aging out of state care. These funds will also create a designated TL Endowment. Second, it will launch a facilities improvement and expansion campaign to raise \$13 million for its Operations Center in Memphis and two residential campuses (Bartlett and Inner Harbour).

## Conclusion

Now is a critical time for Youth Villages to move forward. With the recent passage of Title IV-E legislation in Washington, D.C., up to 30 state waivers will be awarded over the next five years, which will initiate broad systems improvement through more flexible funding streams, consistent with what Youth Villages has shown is possible.

By all measures, our country is entering into a new age of unprecedented austerity, with our federal government needing to make significant budget cuts, and nearly every state in the country struggling to meet balanced budget mandates. Unless highly impactful organizations like Youth Villages are able to bring their innovative, cost effective, outcomes-driven approaches to states, the country runs the risk of spending more and achieving even worse outcomes for the children most in need.

Through its overwhelming success with GCAP, Youth Villages has proven it is capable of successfully deploying significant growth capital funds to expand services, while improving outcomes and saving states' dollars. Its solution works for children, for families, for investors, and for states—and it has the potential to serve as the national model for systems transformation and improvement. Youth Villages is committed to bringing these issues into sharper national focus and being “the force for families” in our country.



Growth (Phase I)	Amount	Investment schedule
Growth Capital	\$45	TBD
<b>Phase I Total</b>	<b>\$45</b>	
Sustainability (Phase II)	Amount	Investment schedule
Transitional Living	\$42	July 1, 2012 - June 30, 2017
Facility Enhancements	\$13	July 1, 2012 - June 30, 2017
<b>Phase II Total</b>	<b>\$55</b>	
<b>CAMPAIGN TOTAL</b>	<b>\$100</b>	

# APPENDIX G: CONTACT INFORMATION

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