YOUTH HOMES, INCORPORATED

FINANCIAL STATEMENTS

JUNE 30, 2023

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Youth Homes, Incorporated

Opinion

We have audited the accompanying financial statements of Youth Homes, Incorporated (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2023, and the related Statements of Activities, Functional Expenses and Cash Flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Youth Homes, Incorporated as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Youth Homes, Incorporated and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Youth Homes, Incorporated's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Youth Homes, Incorporated's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Youth Homes, Incorporated's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matter

Report on Summarized Comparative Information

We have previously audited Youth Homes, Incorporated's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023, on our consideration of Youth Homes, Incorporated's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Youth Homes, Incorporated's 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 Homes, Incorporated's internal control over financial reporting and compliance.

Harrington Group

Oakland, California
December 13, 2023

YOUTH HOMES, INCORPORATED

STATEMENT OF FINANCIAL POSITION
June 30, 2023
With comparative totals at June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2023	2022
ASSETS				
Cash	$ 228,019	$ 562,087	**$ 790,106**	$ 998,230
Accounts and grants receivable	705,791		**705,791**	659,889
Investments (Note 4)	1,232,883		**1,232,883**	1,429,666
Prepaid expenses	132,300		**132,300**	135,910
Split-interest agreement (Note 5)		233,538	**233,538**	219,525
Property and equipment (Note 7)	592,834		**592,834**	663,594
Right-of-use assets - operating leases (Note 13)	919,922		**919,922**	-
TOTAL ASSETS	$ 3,811,749	$ 795,625	**$ 4,607,374**	$ 4,106,814
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	$ 31,306	$ -	**$ 31,306**	$ 95,849
Accrued liabilities (Note 8)	442,994		**442,994**	373,239
Deferred rent			**-**	51,768
Accrued unemployment liability (Note 9)	31,000		**31,000**	31,000
Notes payable (Note 10)	433,554		**433,554**	447,735
Right-of-use liabilities - operating leases (Note 13)	1,020,661		**1,020,661**	-
TOTAL LIABILITIES	1,959,515	-	**1,959,515**	999,591
NET ASSETS				
Without donor restrictions	1,852,234		**1,852,234**	2,307,588
With donor restrictions				
Purpose restrictions (Note 12)		562,087	**562,087**	580,110
Perpetual in nature (Note 5)		233,538	**233,538**	219,525
TOTAL NET ASSETS	1,852,234	795,625	**2,647,859**	3,107,223
TOTAL LIABILITIES AND NET ASSETS	$ 3,811,749	$ 795,625	**$ 4,607,374**	$ 4,106,814

The accompanying notes are an integral part of these financial statements.

YOUTH HOMES, INCORPORATED

STATEMENT OF ACTIVITIES
For the year ended June 30, 2023
With comparative totals for the year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2023	2022
REVENUE AND SUPPORT				
Program service fees - government (Note 14)	$ 4,181,340	$ -	**$ 4,181,340**	$ 4,534,202
Contributions	602,712	173,000	**775,712**	780,582
Thrift shop sales	402,476		**402,476**	251,716
Gain (loss) on investments	56,008		**56,008**	(237,736)
Interest income	27,598		**27,598**	25,926
Other income	20,363		**20,363**	27,892
Change in value of split-interest agreement		14,029	**14,029**	(55,109)
Special event	3,844		**3,844**	-
Net assets released from restrictions (Note 12)	191,039	(191,039)	**-**	-
TOTAL REVENUE AND SUPPORT	5,485,380	(4,010)	**5,481,370**	5,327,473
EXPENSES				
Program services	4,244,598		**4,244,598**	5,065,083
Management and general	1,865,586		**1,865,586**	1,613,857
Fundraising	445,549		**445,549**	467,317
TOTAL EXPENSES	6,555,733	-	**6,555,733**	7,146,257
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(1,070,353)	(4,010)	**(1,074,363)**	(1,818,784)
OTHER CHANGES				
Employee retention credit (Note 15)	614,999		**614,999**	-
CHANGE IN NET ASSETS	(455,354)	(4,010)	**(459,364)**	(1,818,784)
NET ASSETS, BEGINNING OF YEAR	2,307,588	799,635	**3,107,223**	4,926,007
NET ASSETS, END OF YEAR	$ 1,852,234	$ 795,625	**$ 2,647,859**	$ 3,107,223

The accompanying notes are an integral part of these financial statements.

YOUTH HOMES, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2023
With comparative totals for the year ended June 30, 2022

	Program Services				Total			Total Expenses	
	Foster Youth Programs	**Youth Services and Programs**	**Young Adult Programs**	**Thrift Shop**	**Program Services**	**Management and General**	**Fundraising**	**2023**	2022
Salaries	$ 1,010,751	$ 1,104,242	$ 654,053	$ 31,929	$ 2,800,975	$ 807,933	$ 272,033	**$ 3,880,941**	$ 4,303,062
Payroll taxes and employee benefits	214,818	232,197	139,739	6,228	592,982	232,281	58,475	**883,738**	1,033,222
Total personnel costs	1,225,569	1,336,439	793,792	38,157	3,393,957	1,040,214	330,508	**4,764,679**	5,336,284
Professional fees	723	57,397	35,005	3,071	96,196	440,079	55,503	**591,778**	558,822
Rent	10,153	58,116	61,807	92,747	222,823	70,257	18,422	**311,502**	329,948
Information technology	573	7,582	4,794	2,367	15,316	117,909	15,946	**149,171**	129,700
Insurance	18,093	30,413	19,843		68,349	39,795	8,225	**116,369**	116,122
Repairs and maintenance	56,579			7,554	64,133	24,009		**88,142**	172,308
Utilities	52,973	541	378	11,676	65,568	11,069	141	**76,778**	81,821
Depreciation	52,796	10,073	7,240		70,109	6,015		**76,124**	70,085
Travel	1,448	57,324	15,332		74,104	399	72	**74,575**	48,313
Child related expenses	17,235	12,871	23,970	2,063	56,139	(79)		**56,060**	43,092
Supplies	13,754	9,822	7,223	4,839	35,638	7,566	3,438	**46,642**	48,632
Food	22,197	8,119	5,416	414	36,146	3,518	540	**40,204**	31,079
Staff development and training	2,105	2,792	1,803	182	6,882	30,548	1,131	**38,561**	21,490
Bad debt	483			385	868	27,678	903	**29,449**	19,245
Telephone					-	27,850		**27,850**	40,983
Interest expenses	18,426				18,426			**18,426**	17,664
Office expenses			12	3,322	3,424	3,587	5,778	**12,789**	14,483
Dues and subscriptions		120	484	120	724	11,669	135	**12,528**	14,045
Bank and other fees	477	876	583	429	2,365	3,388	4,807	**10,560**	27,873
Basic care	3,419	2,065	949		6,433			**6,433**	7,155
Licenses	4,166				4,166			**4,166**	9,763
Property taxes	2,832				2,832	115		**2,947**	2,899
Meeting					-			**-**	4,451
TOTAL 2023 FUNCTIONAL EXPENSES	**$ 1,504,091**	**$ 1,594,550**	**$ 978,631**	**$ 167,326**	**$ 4,244,598**	**$ 1,865,586**	**$ 445,549**	**$ 6,555,733**	
TOTAL 2022 FUNCTIONAL EXPENSES	$ 1,903,724	$ 1,941,852	$ 1,021,256	$ 198,251	$ 5,065,083	$ 1,613,857	$ 467,317		$ 7,146,257

YOUTH HOMES, INCORPORATED

STATEMENT OF CASH FLOWS
For the year ended June 30, 2023
With comparative totals for the year ended June 30, 2022

		2023		2022
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	$	(459,364)	$	(1,818,784)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:				
Depreciation		76,124		70,085
Change in value of split-interest agreement		(14,029)		55,109
Reinvested interest and dividends		(27,598)		(25,804)
Amortization of right-of-use assets - operating leases		243,252		-
Reduction of lease liability, operating leases		(190,857)		-
(Gain) loss on investment		(56,008)		238,716
(Increase) decrease in operating assets:				
Accounts grants and receivable		(45,902)		276,941
Prepaid expenses		3,610		(1,066)
Increase (decrease) in operating liabilities:				
Accounts payable		(64,543)		23,543
Accrued liabilities		69,755		(145,266)
Deferred rent		(51,768)		12,958
NET CASH (USED) BY OPERATING ACTIVITIES		(517,328)		(1,313,568)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investment		(175,138)		(122,029)
Proceeds from the sale of investments		515,959		130,853
Purchase of property and equipment		(15,830)		(118,764)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		324,991		(109,940)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Principle payments on notes payable		(15,787)		(14,895)
NET CASH (USED) BY FINANCING ACTIVITIES		(15,787)		(14,895)
NET DECREASE IN CASH		(208,124)		(1,438,403)
CASH, BEGINNING OF YEAR		998,230		2,436,633
CASH, END OF YEAR	$	790,106	$	998,230
SUPPLEMENTAL DISCLOSURE:				
Operating activities reflect interest paid of:	$	18,426	$	17,664
NON-CASH FINANCING AND OPERATING ACTIVITIES:				
Right-of-use assets/liabilities from adoption of ASC 842	$	1,214,943	$	-

The accompanying notes are an integral part of these financial statements.

1. Organization

Youth Homes, Incorporated ("Youth Homes") supports and empowers current and former foster youth and underserved children and young adults with a continuum of care designed to empower young people and their families to create positive, sustainable change.

STRTP – Residential: Youth Homes operated one six-bed, state-licensed Short Term Residential Therapeutic Program for youth ages 7-18 in Contra Costa County. The STRTP program provides intensive 24/7 care, enrichment activities, and various mental health services, including psychiatric assessment and individual and group therapy. The youth served in these programs have experienced significant trauma and are working on significant behavioral challenges that are barriers to living in a family environment. Youth Homes residential program supported approximately 5-8 Youth last fiscal year.

Family Pathways: This Youth Homes program provides intensive care coordination, therapy, and IHBS Intensive Home-based behavioral & mental health services for foster youth with mental health challenges. This program works intensively with the child, or youth and their family/caregiver, in a team-based approach focusing on assuring adequate services and supports are available and provided on a coordinated basis to allow foster youth to return to their family or live in a family setting.

Therapeutic Behavioral Services: Youth Homes provides intensive individual, family-based skill coaching to alleviate severe behavioral challenges that would otherwise lead to the youth being hospitalized or placed in residential treatment facilities. A highly trained specialized team of behavioral coaches works with children and youth ages 3-21 in their daily life/environment: home, school, and community settings to reduce debilitating behaviors. We serve approximately 200 youth annually in this program.

Transition Age Youth Programs: Youth Homes has two programs for young adults. First, the Aftercare Program provides mental health services for foster youth and former foster youth ages 17-21. The second, the Transition Age Youth Full-Service Partnership, provides intensive case management and mental health services for transitional-age youth and young adults ages 16-26 with severe mental health issues.

Youth Homes operates a community-based Thrift Shop: The shop has nine paid employees and approximately forty volunteers. Revenue generated from the Thrift Shop supports our Residential and Community-Based Programs and Services.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

continued

2. Summary of Significant Accounting Policies, continued

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

With Donor Restrictions. Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounts Receivable

Accounts receivable are receivables from governmental agencies. Therefore, no allowance for doubtful accounts has been provided.

Investments

Youth Homes values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as other income. Short-term, highly liquid money market deposits that are not used for operations are treated as investments.

Revenue and Revenue Recognition

Youth Homes recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A portion of Youth Homes' revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Youth Homes has incurred expenditures in compliance with specific contract or grant provisions.

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

continued

2. Summary of Significant Accounting Policies, continued

Level 1 inputs – quoted prices in active markets for identical assets
Level 2 inputs – quoted prices in active or inactive markets for the same or similar assets
Level 3 inputs – estimates using the best information available when there is little or no market

Youth Homes is required to measure certain investments and a split-interest agreement at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

Concentration of Credit Risks

Youth Homes places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limits. Youth Homes has not incurred any material losses related to these investments.

The primary receivable balance outstanding at June 30, 2023 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of Youth Homes' receivables consist of earned fees from contract programs granted by governmental agencies.

Approximately 85% of total revenue and support generated by Youth Homes as of June 30, 2023, is derived from government service fees.

Youth Homes holds investments in the form of certificates of deposit, common stock, and money market funds. The Board of Directors routinely reviews market values of such investments.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than two years.

Recently Adopted Accounting Pronouncement

Youth Homes adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on the Statement of Financial Position and disclose key information about leasing arrangements effective July 1, 2022. Youth Homes elected not to restate the comparative period (Fiscal year 2022). Youth Homes also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, Youth Homes recognized right-of-use ("ROU") assets of $1,214,943 and lease liabilities totaling $1,214,943 in its Statement of Financial Position as of July 1, 2022. The discount rate used to record the ROU asset and lease liability at the transition date of July 1, 2022, was 4.21%. The adoption did not result in a significant effect on amounts reported in the Statement of Activities for the year ended June 30, 2023.

continued

2. Summary of Significant Accounting Policies, continued

Leases

Youth Homes applies Accounting Standards Codification ("ASC") 842, Leases, in determining whether an arrangement is or contains a lease at the lease inception. An arrangement is considered to include a lease if it conveys the right to control the use of identified property, plant, or equipment for a period of time in excess of twelve months in exchange for consideration. Youth Homes defines control of the asset as the right to obtain substantially all of the economic benefits from use of the identified asset as well as the right to direct the use of the identified asset. Youth Homes further determines all the existing leases are operating leases, which are included in ROU assets and lease liabilities in the Statement of Financial Position.

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the year ended June 30, 2023, Youth Homes did not receive any in-kind contributions of donated materials and services.

Income Taxes

Youth Homes, Incorporated is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Youth Homes in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Youth Homes' returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing Youth Homes' programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Youth Homes uses salary dollars to allocate indirect costs.

continued

2. Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation 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 reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Youth Homes' financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through December 13, 2023, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

3. Liquidity and Availability of Resources

Youth Homes regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Youth Homes has various sources of liquidity at its disposal, including cash and cash equivalents, and marketable debt and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Youth Homes considers all expenditures related to its ongoing activities and the pattern of income from grants, contracts, billable services, fundraising, and investments. The Finance Committee of the Board of Directors meets monthly to review all financial aspects of the organization and meets annually with Youth Homes' financial advisors to review investment results, assess risk, and make recommendations for changes as needed.

In addition to financial assets available to meet general expenditures over the next 12 months, Youth Homes operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of June 30, 2023, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash	$ 228,019
Accounts receivable, net	705,791
Investments	1,232,883
	$2,166,693

continued

4. Investments

Significant information about investments at June 30, 2023 is summarized as follows:

Exchange market fund	$ 641,996
Bond	357,492
Bank sweep	95,288
Money market fund	85,173
Equities	26,498
Certificates of deposit	26,436
	$1,232,883

5. Split-Interest Agreement

During 1980, a donor established a trust with a bank, naming Youth Homes as one of the beneficiaries of a perpetual trust. Under the terms of the split-interest agreement, Youth Homes is to receive one-third of the annual income, for its unrestricted use, after payment of taxes, trustee fees, and certain other beneficiary payments until the last-named person's death. At the time of the last-named person's death, Youth Homes will continue to receive one-third of the annual income, after payment of taxes and trustee fees, in perpetuity. One-third of the fair value of the trust assets, $233,538 is reported with donor restrictions in perpetuity by Youth Homes.

6. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2023 on a recurring basis:

	Level 1	Level 2	Level 3	Total
Exchange-market funds	$ 641,996	$ -	$ -	**$ 641,996**
Bonds	357,492			**357,492**
Equities	26,498			**26,498**
Investment in Marie Cruess Charitable Remainder Trust (split-interest agreement)	233,538			**233,538**
	$1,259,524	$ -	$ -	**$1,259,524**

The fair value of exchange-market funds, bonds, equities, and investment in Marie Cruess Charitable Remainder Trust (split-interest agreement) has been measured on a recurring basis using quoted prices for identical assets in active markets since the underlying assets of the trust are invested in market traded instruments (Level 1 inputs).

continued

7. Property and Equipment

Property and equipment at June 30, 2023 consist of the following:

Land	$ 306,008
Buildings	425,147
Leasehold improvements	421,918
Vehicles	131,850
Office equipment	69,986
	1,354,909
Less: accumulated depreciation	(762,075)
	$ 592,834

Depreciation expenses for the year ended June 30, 2023 was $76,124.

8. Accrued Liabilities

Accrued liabilities at June 30, 2023 consist of the following:

Accrued vacation	$189,452
Accrued salaries and related liabilities	190,785
Other liabilities	62,757
	$442,994

9. Accrued Unemployment Liability

Youth Homes has elected to be self-insured for the purposes of California State Unemployment Insurance. Estimated accrued unemployment liability at June 30, 2023 of $31,000 represents estimated future claims arising from payroll paid to June 30, 2023. Unemployment claims for the year ended June 30, 2023 was $37,914.

continued

10. Notes Payable

Notes payable at June 30, 2023 consist of the following:

Mortgage payable to a bank, secured by real property, monthly payments of $1,746, including interest at 3.875%, due December 2033.	$177,813
Mortgage payable to a bank, secured by real property, monthly payments of $2,595, including interest at 3.875%, due November 2037.	176,677
Mortgage payable to a bank, secured by real property, monthly payments of $686, including interest at 3.875%, due August 2034.	79,064
	$433,554

Payments for notes payable are as follows:

Year ending June 30,	
2024	$ 16,094
2025	16,729
2026	17,389
2027	18,074
2028	18,786
Thereafter	346,482
	$433,554

11. Commitments and Contingencies

Contracts

Youth Homes' grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously-funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, Youth Homes has no provisions for the possible disallowance of program costs on its financial statements.

continued

12. Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2023 consist of the following:

Welcome Home	$214,537
Thrift Shop Grant	100,000
Guild STRTP	84,503
Lesher	41,977
FP/TBS Support Families	25,690
STRTP Enrichment	20,265
Enrichment Donors	19,998
Five Bridges	19,652
TAY-Emergency	16,640
MDRT	16,219
Coit	1,605
Auxiliary	1,001
	$562,087

For the year ended June 30, 2023, net assets with donor restrictions released from purpose restrictions were $191,039.

13. Right-of-Use Assets and Liabilities - Operating Leases

Youth Homes evaluated current contracts to determine which met the criteria of a lease. ROU assets represent Youth Homes' right to use underlying assets for the lease term, and the lease liabilities represent Youth Homes' obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. Youth Homes used the rate implicit in the lease, if it is determinable. When the rate implicit in the lease is not determinable, Youth Homes uses the risk-free rate of return at the lease commencement date to determine the present value of the future lease payments. Lease terms, in the calculations, may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line basis over the lease term.

continued

13. Right-of-Use Assets and Liabilities - Operating Leases, continued

Youth Homes' operating leases consist of a few office leases and office equipment leases. The ROU assets and lease liabilities for these leases were determined based on the current terms in force as of June 30, 2023. No additional options have been included.

The weighted average of remaining lease terms and weighted average of discount rate for operating leases as of June 30, 2023, were 26.60 months and 4.71%, respectively.

Cash paid for the operating leases for the year ended June 30, 2023 was $240,310.

Future maturities of the lease liabilities as of June 30, 2023, is as follows:

Year ending June 30,	
2024	$ 290,501
2025	229,624
2026	176,550
2027	177,896
2028	183,233
2029	77,285
Total lease payments	1,135,089
Less: present value discount	(114,428)
	$1,020,661

Lease expense under operating leases for the year ended June 30, 2023 was $289,280.

The above maturities reflect rental agreements in effect as of June 30, 2023. Youth Homes continually renegotiates its lease agreements; therefore, future maturity amounts may change.

14. Program Service Fees - Government

Program service fees for the year ended June 30, 2023 consist of the following:

Therapeutic behavioral services	$1,264,725
C-5 mental health program	1,264,197
Residential and foster care	717,425
TAY contract services	644,419
Katie A contract services	276,314
RCL 12 supplemental funding	14,260
	$4,181,340

continued

14. Program Service Fees – Government, continued

Youth Homes has concluded a stable 2022-2023 fiscal year. We have observed a growing hiring environment within our Community Services division, which is demonstrated by the noticeable increase in revenue across their respective areas. However, in response to ongoing, sector-wide residential staffing shortages, we have taken a deliberate approach by maintaining the operation of a single residence. In this context, we have transformed our service model to provide a more therapeutic environment, tailored to better address the unique needs of our youth.

This refined approach has yielded promising outcomes, including a notable reduction in critical incidents, enhanced employee morale, and a consistent and nurturing 'home' environment for the youth in our care.

As previously mentioned, the latter part of the fiscal year witnessed a significant upswing in the hiring environment for our Community Services division, thereby contributing to the growth of our Therapeutic Behavioral Services (TBS) and Transitional Age Youth (TAY) Services. There has been an increase in individuals entering the field, with the high demand skills and a deep commitment to working for mission-driven organizations with a strong youth focus, such as ours.

This year, our organization is experiencing continued stabilization, a growing demand for client services, and an impressive employee retention rate of 89%. In light of these favorable developments, we are confident in our ability to become stronger and adapt to the ever-evolving needs of our youth. and young adults. We remain dedicated to our mission of providing exceptional support and care to the communities we serve.

15. Employee Retention Credit

Youth Homes applied for and received the Employee Retention Credit (“ERC”) made available under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) and related to qualifying wages for the third quarter and payroll in calendar year 2021. Youth Homes accounted for this funding in accordance with FASB ASC 958-605, which considers the ERC a nonexchange transition that is accounted for as a conditional contribution. Youth Homes recorded the full amount claimed and received $614,999 in the year ended June 30, 2023, based in its satisfaction of all conditions (barriers) by that period, to include a determination of qualifying wages and reduction of revenue, and completion of the ERC application form.