SJT GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS

YDI™
PARTNERING WITH FAMILIES

Youth Development, Inc.

Independent Auditor's Report,
Consolidated Financial Statements,
and
Single Audit Information

June 30, 2024 and 2023

Youth Development, Inc.

Table of Contents

SJT GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Directors
Youth Development, Inc.

Report on Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Youth Development, Inc. and its subsidiaries 428 Los Lentes LLC, Flora Vista Apartments LLC, and YDI 6306 Central LLC (collectively "YDI", a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of YDI as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of YDI 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 YDI'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about YDI'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 our report dated March 25, 2025, on our consideration of YDI'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 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 YDI's internal control over financial reporting and compliance.

SJT Group LLC

Albuquerque, New Mexico
March 25, 2025

Consolidated Financial Statements

Youth Development, Inc.
Consolidated Statements of Financial Position
June 30,

	2024	2023
Assets		
Current assets		
Cash and cash equivalents	**$ 3,924,284**	$ 1,431,273
Grants receivable	**3,569,847**	2,459,659
Other receivables	**-**	149,679
Prepaid expenses and other	**59,889**	104,281
Total current assets	**7,554,020**	4,144,892
Noncurrent assets		
Operating right-of-use lease assets, net	**2,471,722**	2,237,308
Financing right-of-use lease assets, net	**100,402**	141,554
Property, furniture and equipment, net	**5,524,181**	3,535,396
Total noncurrent assets	**8,096,305**	5,914,258
Total assets	**$ 15,650,325**	$ 10,059,150
Liabilities and Net Assets		
Current liabilities		
Accounts payable	**$ 1,116,409**	$ 543,684
Accrued payroll liabilities	**1,085,610**	1,221,503
Deposits held for others	**8,357**	1,173
Deferred revenue	**1,703,468**	582,096
Operating leases, current portion	**514,723**	422,668
Financing leases, current portion	**47,219**	47,219
Notes payable, current portion	**102,048**	106,634
Total current liabilities	**4,577,834**	2,924,977
Noncurrent liabilities		
Operating leases, net of current portion	**2,065,797**	1,753,015
Financing leases, net of current portion	**62,557**	87,569
Notes payable, net of current portion	**1,187,902**	1,288,939
Total noncurrent liabilities	**3,316,256**	3,129,523
Total liabilities	**7,894,090**	6,054,500
Net assets		
Without donor restrictions	**7,541,699**	3,785,105
With donor restrictions	**214,536**	219,545
Total net assets	**7,756,235**	4,004,650
Total liabilities and net assets	**$ 15,650,325**	$ 10,059,150

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

Youth Development, Inc.
Consolidated Statement of Activities
For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Grants and contracts	$ 38,836,378	$ -	$ 38,836,378
Contributions	101,430	3,008	104,438
In-kind contributions	302,151	-	302,151
Program service revenue	923,573	-	923,573
Rental income	393,407	-	393,407
Interest income	96,490	-	96,490
Other revenue	138,423	-	138,423
Net assets released from restriction	8,017	(8,017)	-
Total revenues and other support	40,799,869	(5,009)	40,794,860
Expenses			
Program services			
Early childhood education and family development	22,413,606	-	22,413,606
Education, employment and training	3,465,922	-	3,465,922
Prevention, intervention and behavioral health	7,893,604	-	7,893,604
Rental properties	209,971	-	209,971
Total program services	33,983,103	-	33,983,103
Supporting services			
Management and general	3,060,172	-	3,060,172
Total expenses	37,043,275	-	37,043,275
Change in net assets	3,756,594	(5,009)	3,751,585
Net assets, beginning of year	3,785,105	219,545	4,004,650
Net assets, end of year	$ 7,541,699	$ 214,536	$ 7,756,235

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

Youth Development, Inc.
Consolidated Statement of Activities
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Grants and contracts	$ 30,970,888	$ -	$ 30,970,888
Contributions	103,591	4,131	107,722
In-kind contributions	349,436	-	349,436
Program service revenue	558,205	-	558,205
Rental income	257,558	-	257,558
Loss on disposal of property, furniture, and equipment	(23,049)	-	(23,049)
Interest income	299	-	299
Other revenue	300,573	-	300,573
Net assets released from restriction	9,886	(9,886)	-
Total revenues and other support	32,527,387	(5,755)	32,521,632
Expenses			
Program services			
Early childhood education and family development	17,656,008	-	17,656,008
Education, employment and training	3,600,204	-	3,600,204
Prevention, intervention and behavioral health	7,035,629	-	7,035,629
Rental properties	168,464	-	168,464
Total program services	28,460,305	-	28,460,305
Supporting services			
Management and general	2,928,282	-	2,928,282
Total expenses	31,388,587	-	31,388,587
Change in net assets	1,138,800	(5,755)	1,133,045
Net assets, beginning of year	2,646,305	225,300	2,871,605
Net assets, end of year	$ 3,785,105	$ 219,545	$ 4,004,650

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

Youth Development, Inc.
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2024

	Program Services					
	Early Childhood Education and Family Development	Education, Employment and Training	Prevention, Intervention and Behavioral Health	Rental Properties	Management and General	Total
Salaries and wages	$ 10,741,910	$ 2,452,561	$ 4,426,092	$ -	$ 1,687,084	$ 19,307,647
Employee benefits	1,751,757	223,802	578,907	-	235,863	2,790,329
Payroll taxes	1,120,877	222,436	428,188	-	153,212	1,924,713
Total personnel expenses	13,614,544	2,898,799	5,433,187	-	2,076,159	24,022,689
Repairs and maintenance	2,859,863	4,333	112,880	17,000	6,637	3,000,713
Food and supplies	2,403,859	44,470	271,518	55	95,401	2,815,303
Professional fees	1,198,324	70,145	610,639	-	303,228	2,182,336
Rent	580,539	115,715	335,437	93,503	196,900	1,322,094
Telephone and utilities	575,085	33,037	193,258	13,268	52,110	866,758
Client assistance	-	176,529	431,720	-	1,525	609,774
Training	380,758	29,133	88,372	-	32,964	531,227
Insurance	232,845	5,719	57,561	-	89,036	385,161
Travel	201,263	25,880	110,649	-	14,673	352,465
Interest	32,136	-	65,536	71,546	65,189	234,407
Equipment	45,757	2,543	59,451	-	34,506	142,257
Miscellaneous	32,567	174	22,801	14,142	34,376	104,060
Penalties and fees	5	2	-	457	16,315	16,779
Total non-personnel expenses	8,543,001	507,680	2,359,822	209,971	942,860	12,563,334
Total expenses before depreciation and amortization	22,157,545	3,406,479	7,793,009	209,971	3,019,019	36,586,023
Depreciation and amortization	256,061	59,443	100,595	-	41,153	457,252
Total expenses	$ 22,413,606	$ 3,465,922	$ 7,893,604	$ 209,971	$ 3,060,172	$ 37,043,275

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

Youth Development, Inc.
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program Services					
	Early Childhood Education and Family Development	Education, Employment and Training	Prevention, Intervention and Behavioral Health	Rental Properties	Management and General	Total
Salaries and wages	$ 9,180,835	$ 2,422,589	$ 4,128,913	$ -	$ 1,716,236	$ 17,448,573
Employee benefits	1,805,349	199,692	496,476	-	90,690	2,592,207
Payroll taxes	1,002,540	231,916	424,741	-	174,261	1,833,458
Total personnel expenses	11,988,724	2,854,197	5,050,130	-	1,981,187	21,874,238
Repairs and maintenance	398,171	200	73,508	12,441	9,416	493,736
Food and supplies	1,726,718	53,984	285,949	-	47,864	2,114,515
Professional fees	1,198,560	145,052	373,031	-	372,270	2,088,913
Rent	754,607	68,435	311,728	63,528	71,894	1,270,192
Telephone and utilities	582,953	33,521	165,253	7,794	65,074	854,595
Client assistance	-	107,200	273,918	-	4,760	385,878
Training	272,182	55,274	18,058	-	42,509	388,023
Insurance	270,362	26,875	67,103	-	72,468	436,808
Travel	147,343	52,878	90,694	-	12,592	303,507
Interest	37,094	-	59,092	36,555	11,776	144,517
Equipment	120,411	127,137	175,526	136	94,322	517,532
Miscellaneous	2,690	38,813	7,194	5,145	84,772	138,614
Penalties and fees	145	-	20	615	31,422	32,202
Total non-personnel expenses	5,511,236	709,369	1,901,074	126,214	921,139	9,169,032
Total expenses before depreciation and amortization	17,499,960	3,563,566	6,951,204	126,214	2,902,326	31,043,270
Depreciation and amortization	156,048	36,638	84,425	42,250	25,956	345,317
Total expenses	$ 17,656,008	$ 3,600,204	$ 7,035,629	$ 168,464	$ 2,928,282	$ 31,388,587

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

Youth Development, Inc.
Consolidated Statements of Cash Flows
For the Years Ended June 30,

	2024	2023
Cash flows from operating activities		
Cash received from grants and contracts	**$ 38,847,562**	$ 30,370,322
Cash received from contributions	**104,438**	107,722
Cash received from program services	**923,573**	558,205
Rental income received	**393,407**	257,558
Other cash received	**384,592**	157,231
Cash paid to employees and suppliers	**(35,176,144)**	(30,705,565)
Principal payments on operating leases	**(173,338)**	(298,850)
Cash paid for interest	**(234,407)**	(144,517)
Net cash provided by operating activities	**5,069,683**	302,106
Cash flows from investing activities		
Purchases of property, furniture, and equipment	**(2,446,037)**	(925,024)
Net cash used by investing activities	**(2,446,037)**	(925,024)
Cash flows from financing activities		
Proceeds from issuance of notes payable	**-**	301,500
Proceeds from draws on the line of credit	**-**	1,360,450
Principal payments on financing leases	**(25,012)**	(44,248)
Payment of debt issuance costs	**-**	(31,959)
Principal payments on notes payable	**(105,623)**	(101,547)
Payments on the line of credit	**-**	(1,360,450)
Net cash provided (used) by financing activities	**(130,635)**	123,746
Net change in cash and cash equivalents	**2,493,011**	(499,172)
Cash and cash equivalents, beginning of year	**1,431,273**	1,930,445
Cash and cash equivalents, end of year	**$ 3,924,284**	$ 1,431,273
Noncash financing activities		
Right-of-use assets acquired through operating lease	**$ 578,175**	$ 202,220

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

Youth Development, Inc.
Consolidated Statements of Cash Flows - continued
For the Years Ended June 30,

	2024	2023
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	**$ 3,751,585**	$ 1,133,045
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	**457,252**	345,317
Amortization of right-of-use lease assets	**384,913**	323,744
Loss on disposal of property, furniture, and equipment	**-**	23,049
Changes in assets and liabilities:		
Grants receivable	**(1,110,188)**	10,538
Other receivables	**149,679**	(143,641)
Prepaid expenses	**44,392**	(36,707)
Accounts payable	**572,725**	56,298
Accrued payroll liabilities	**(135,893)**	(500,756)
Deposits held for others	**7,184**	1,173
Deferred revenue	**1,121,372**	(611,104)
Operating lease liabilities	**(173,338)**	(298,850)
Total adjustments	**1,318,098**	(830,939)
Net cash provided by operating activities	**$ 5,069,683**	$ 302,106

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

Youth Development, Inc.
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

1) Organization and Nature of Activities

Youth Development, Inc. (YDI) was established in 1971 to provide services to youth of New Mexico. Initially, YDI's programs focused on services to youth and provided support to youth struggling with drug addiction and gang activity. Through time and experience, YDI learned how to change a young person's life: YDI works with the entire family and provides a menu of support services that are identified through individual self-assessments, family assessments and community assessments.

As YDI's programs evolved, its mission was expanded to include working closely with supporting families, as well as youth. In the fiscal year ended June 30, 2024, YDI managed and worked on well over 50 programs among its divisions. Funding sources include federal contracts, State of New Mexico contracts, contracts with counties in New Mexico, City of Albuquerque contracts, and several foundation contracts.

YDI is organized in the following divisions:

- Early Childhood Education and Family Development (ECE) Division.
- Employment, Education and Training (EE&T) Division.
- Prevention, Intervention and Behavioral Health (PIBH) Division.
- Rental Properties Division
- Administrative (Admin) Division.

The ECE Division provides a continuum of services for pregnant women, infant, toddlers, preschoolers and their families. The ECE Division includes three home-based models depending on the intensity of services needed and is customized to meet individual needs. The Nurse Family Partnership (NFPx) focuses on home visitation services for pregnant women to when the child turns 2 years old. The State home visitation program focuses on families with young children up to 3 years old with one to two visits per month. The Early Head Start program (EHS) focuses on income eligible families for children up to three years old, home visits are weekly. All models are evidence and research base best practice models.

Center-based child development services are offered at 23 centers across three counties: Bernalillo, Rio Arriba, and Taos. The curriculum "Creative Curriculum" is evidence- and research-based and is taught by highly trained and qualified degreed or certified educators. EHS and Head Start (HS) families must qualify for services based on family income. All HS centers meet the nationally acclaimed performance standards with emphasis on school readiness through the utilization of a research-based curriculum, development of social/emotional skills, family engagement, health, nutrition, mental health and transition services. The ECE Division also provides PreK center-based services for children. PreK does not require income eligibility.

1) Organization and Nature of Activities – continued

ECE centers are accredited by the National Association for the Education of Young Children (NAEYC) and reflect the best practices in early childhood development. The ECE Division is governed by the Policy Council and the YDI Board of Directors. Family engagement is a top priority.

The EE&T Division provides programs designed to help youth ages 12+ and adults complete their secondary education, gain workplace and occupational skills, attain housing and decrease violent behavior or engagement. The EE&T Division is comprised of 12 programs providing alternative education through high school equivalency preparation classes, workforce development activities including paid work experiences and/or internships, referrals to job opportunities, and enrollment into integrated training programs in high demand industries, rental assistance to homeless individuals in treatment for opioid disorders, violence intervention and prevention training utilizing a therapeutic model to address trauma and employ a change model, and pre- and post-release services for individuals exiting incarceration. All programs address barriers and needs and develop an individual service strategy creating education and employment goals. EE&T provides services in Bernalillo, Doña Ana, Sandoval, Torrance, and Valencia counties.

The PIBH Division provides programs designed to address short-term emergency and transitional living housing for homeless and runaway youth, youth aging out of foster care and youth requiring crisis stabilization placement, as well as replacement housing. Behavioral health services are available in each residential program and on an outreach basis by referral. The PIBH Division also has several outreach-based programs that provide crisis intervention, case management, life and social skills training, rapid rehousing and street outreach services for homeless individuals. Supervised visitation and access services are available for couples experiencing custody issues. Prevention programs work with at-risk youth to help prevent teenage pregnancy and juvenile justice involvement. Prevention and intervention service programs include the Community Based Prevention, Intervention and Reunification (CBPIR) and Family Outreach programs that focus on stabilizing the family unit in efforts to prevent child abuse/neglect and further involvement with CYFD. The Family Resource Center is a drop-in program providing an array of services for individuals and families to ameliorate hunger; homelessness; family violence; student truancy, etc. PIBH provides program services in Bernalillo, Sandoval, Valencia, Torrance, Santa Fe, Cibola, and Eddy counties.

The purpose of the Rental Properties Division is to track rental activities of YDI. Currently, YDI owns three of the four sites. YDI collects monthly rents, allocates common costs, and makes minor maintenance and repair expenditures as needed. YDI has a master lease agreement under which YDI manages the monthly collection of rents, payment of monthly management fees, utility payments and various repairs for the Flora Vista Apartments.

1) Organization and Nature of Activities – continued

The Admin Division provides human resource services and support, public relations and communications, fund raising, procurement and contract support, accounting, budgeting, and support of the various financial statement audits and program monitoring desk audits. Senior administrative positions support the YDI Board of Directors, assisting with the governance of YDI.

YDI is the sole member of 428 Los Lentes LLC, Flora Vista Apartments LLC, and YDI 6306 Central LLC. These LLC's are single-member limited liability companies and, as such, are considered to be disregarded entities for income tax purposes. These LLC's use the facilities and personnel of YDI and reimburses YDI for these costs. The financial activity of these LLC's are included in the accompanying consolidated financial statements and tax return of YDI with all intercompany transactions and balances eliminated. References to YDI hereafter generally include these LLC's.

2) Summary of Significant Accounting Policies

Basis of Accounting
The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables and liabilities.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include the useful lives of capitalized assets and the related depreciation and amortization expense and the fair value of in-kind donations of services and materials.

Basis of Presentation
The financial statements of YDI have been prepared in accordance with U.S. GAAP, which requires YDI to report information regarding its financial position and activities according to the following net asset classifications:

- *Net Assets Without Donor Restrictions*: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of YDI management and the board of directors.
- *Net Assets with Donor Restrictions*: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of YDI or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

2) Summary of Significant Accounting Policies – continued

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash on deposit with financial institutions and highly liquid investments with an initial maturity of three months or less, are considered to be cash equivalents.

Grants Receivable and Deferred Revenue

Receivables consist primarily of government contracts and grants. YDI performs services under these grants and contracts and is reimbursed once the services are performed or costs incurred. An allowance for doubtful accounts has not been established since management believes that all receivables at year end are fully collectible.

Various reimbursement procedures are used for grant awards YDI receives. Consequently, timing differences between expenses and program reimbursements can exist during the fiscal year. Grants receivable balances at fiscal year-end represent an excess of accrual basis expenses over cash reimbursements received. Conversely, deferred revenue balances represent an excess of cash reimbursement (advances) over accrual basis expenses. Generally, grants receivable or deferred revenue balances caused by differences in the timing of cash reimbursements and expenses will be reversed in the remaining grant period.

Property, Furniture and Equipment

Property, furniture and equipment are stated at cost, or if donated, at the estimated fair market value on the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, expirations of donor restrictions are reported when the donated or acquired assets are placed in service as instructed by the donor. Net assets with donor restrictions are reclassified to net assets without donor restrictions at that time.

YDI capitalizes assets with a cost or fair market value on the date of purchase or donation equal to or greater than $5,000. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, which range from three to forty years.

Impairment of Long-Lived Assets

YDI reviews its long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

2) Summary of Significant Accounting Policies – continued

Accrued Annual Leave
Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule depending on length of service and the employee's hire date. Employees can only carry over a maximum of 64 hours at the end of each fiscal year. Upon termination, employees will be paid for their unused annual leave.

Accrued Conversion Leave
In 2014, YDI's board of directors approved a resolution discontinuing the sick leave conversion program for YDI employees that had existed for several years. As part of the resolution, any YDI employee who had 25 years of service and accrued sick leave over 520 hours could keep their accumulated sick leave earned as of this date. This resolution affected three employees and allowed them to convert their accrued sick leave to annual leave prior to their final date of employment. This converted annual leave would be paid to the employees upon termination.

Accrued Sick Leave
Qualified employees are entitled to accumulate sick leave at the rate of 0.05 hours per 80 hours each pay period. Upon termination, employees are not paid for their unused sick leave. During fiscal year 2024, YDI implemented a sick leave conversion program for YDI employees. Under the sick leave conversion program, YDI employees have the option to convert sick leave to annual leave according to the following options:

- *Option 1*: Employees are eligible to convert sick leave to annual leave at any time. Employees can only convert a maximum of 24 hours each fiscal year. Sick leave converted to annual leave has no payoff value and will be lost if not used, or if the employee separates employment for any reason.
- *Option 2*: Sick leave accumulation over 520 hours may be converted at three hours of sick leave to one hour of annual leave, or three hours of sick leave to one hour cash payment subject to budget availability and grant allowability.
- *Option 3*: Sick leave accumulation over 850 hours may be converted at two hours of sick leave to one hour of annual leave, or two hours of sick leave to one hour cash payment subject to budget availability and grant allowability.
- *Option 4*: Sick leave accumulation over 1,200 hours may be converted at one hour of sick leave to one hour of annual leave, or one hour of sick leave to one hour cash payment subject to budget availability and grant allowability.

If sick leave is converted to a cash payout, the maximum amount of the payout will be $2,000 per fiscal year. For employees that have enough hours accrued to convert their sick leave to a cash payout, YDI has only accrued up to $2,000 of sick leave as a liability due to this policy.

2) Summary of Significant Accounting Policies – continued

Revenue Recognition

Revenue from contracts, including Medicaid, are recognized when the services are provided to the clients and children served. For each contract, revenue recognition is subject to the completion of performance obligations. YDI's revenue is recognized when a given performance obligation is satisfied. YDI's revenue from contracts is usually recognized at a given point in time when the children served obtain substantial benefit from the services. The transaction price is calculated as the amount of consideration to which YDI expects to be entitled. Payment is typically expected on a monthly basis after the performance of services.

Contribution revenue is recognized when cash, securities or other assets or an unconditional promise to give 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 upon which they depend have been met. Contributions received are recorded as net assets with or without donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (i.e., when the time or purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as "net assets released from restrictions."

Revenues from grants are recognized when the performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received prior to meeting the performance requirements or incurring qualifying expenditures are reported as a liability (deferred revenue) in the consolidated statements of financial position.

Donated Services and Materials

Significant contributions of services are recorded if the services create or enhance non-financial assets or require specialized skills. Recognized contributed services are recorded at the fair value of the services on the date of donation. Significant donations of materials are recorded at their fair value on the date of donation. For the years ended June 30, 2024 and 2023, YDI had no in-kind donated services that met the revenue recognition criteria above.

The Head Start program also has a number of volunteers who donate their time. The value of their time, as well as additional community in-kind services, are estimated to be $2 million and $2.5 million for the years ended June 30, 2024 and 2023, respectively. In accordance with accounting principles generally accepted in the United States of America, the value of the volunteer and community service time is not recorded in the consolidated financial statements.

2) Summary of Significant Accounting Policies – continued

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include personnel expenses and depreciation and amortization, which are allocated on the basis of the actual time and effort incurred by YDI employees. Additionally, interest expense is allocated on the basis of square footage of building space associated with leases and notes payable. All other expenses are allocated directly to functions at the time expenses are incurred through the use of program and division codes in the accounting system.

Income Taxes

YDI is a non-profit corporation that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, their normal activities do not result in any income tax liability. YDI is classified as other than a private foundation and file separate entity tax returns.

YDI applies the provisions of FASB ASC 740, *Income Taxes*. FASB ASC 740 provides detailed guidance for the financial statement recognition, measurement, and disclosure of uncertain tax positions in an entity's financial statements. Uncertain income tax positions must meet a more-likely-than-not recognition threshold to be recognized. YDI's policy is to classify income tax penalties and interest according to their natural classification rather than as income tax expense.

As of June 30, 2024 and 2023, management does not believe YDI has any uncertain tax positions that would require financial statement recognition, measurement, or disclosure under FASB ASC 740. Due to statutes of limitation, YDI tax returns are no longer subject to examinations by tax authorities for fiscal years before 2022.

Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. YDI recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the financial statements. YDI's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before the consolidated financial statements are available to be issued. YDI has evaluated subsequent events through March 25, 2025, the date the consolidated financial statements were available to be issued. No subsequent events were identified as a result of this evaluation.

3) Availability and Liquidity

YDI's working capital and cash flows have variations during the year attributable primarily to monthly requests for reimbursements for program costs. To manage liquidity, YDI makes every effort to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. Furthermore, grants receivable is expected to be collected within one year. The following represents YDI's financial assets at June 30:

	2024	2023
Financial assets, at year end:		
Cash and cash equivalents	**$ 3,924,284**	$ 1,431,273
Grants receivable	**3,569,847**	2,459,659
Other receivables	**-**	149,679
Total financial assets	**7,494,131**	4,040,611
Contractual or donor-imposed restrictions:		
Deposits held for others	**(8,357)**	(1,173)
Cash restricted by donors	**(214,536)**	(219,545)
Financial assets available to meet cash needs for general expenses within one year	**$ 7,271,238**	$ 3,819,893

To help manage unanticipated liquidity needs, YDI has access to a line of credit. More information on the line of credit is available in Note 9.

4) Grants Receivable and Deferred Revenue

Grants receivable consists of the following at June 30:

	2024	2023
U.S. Department of Agriculture	**$ 33,979**	$ 27,700
U.S. Department of Interior	**16,785**	-
U.S. Department of Labor	**270,385**	240,327
U.S. Department of Education	**23,128**	105,684
U.S. Department of Health and Human Services	**212,687**	276,539
Other nonfederal	**3,012,883**	1,809,409
Total grants receivable	**$ 3,569,847**	$ 2,459,659

4) Grants Receivable and Deferred Revenue – continued

Deferred revenue consists of the following at June 30:

	2024	2023
U.S. Department of Health and Human Services	**$ 452,126**	$ 33,524
Other nonfederal	**1,251,342**	548,572
Total deferred revenue	**$ 1,703,468**	$ 582,096

5) Credit Risk

YDI maintains its cash balances in financial institutions insured by the Federal Deposit Insurance Corporation up to $250,000. At times, portions of the cash balances in the financial institutions may exceed the insured limits. YDI has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

6) Right-of-Use Lease Assets, Net

Operating right-of-use lease assets consist of the following at June 30:

	2024	2023
Building space - Albuquerque (Flora Vista)	**$ 1,244,291**	$ 1,244,291
Building space - Albuquerque (Candelaria)	**1,263,704**	1,263,704
Building space - Albuquerque (Centro de Amor)	**222,680**	-
Building space - Rio Rancho	**233,913**	150,517
Building space - Embudo	**872,013**	599,914
Less: Accumulated amortization	**(1,364,879)**	(1,021,118)
Operating right-of-use lease assets, net	**$ 2,471,722**	$ 2,237,308

Financing right-of-use lease assets consist of the following at June 30:

	2024	2023
Equipment - copiers	**$ 204,103**	$ 204,103
Less: Accumulated amortization	**(103,701)**	(62,549)
Financing right-of-use lease assets, net	**$ 100,402**	$ 141,554

7) Property, Furniture, and Equipment, Net

Property, furniture and equipment consists of the following at June 30:

	2024	2023
Depreciable		
Buildings and building improvements	**$ 6,836,494**	$ 5,618,117
Equipment	**2,097,236**	1,518,361
Vehicles	**741,406**	692,621
Furniture and fixtures	**183,126**	183,126
Less: Accumulated depreciation	**(5,294,920)**	(4,837,668)
Total depreciable property, furniture, and equipment, net	**4,563,342**	3,174,557
Land	**960,839**	360,839
Property, furniture and equipment, net	**$ 5,524,181**	$ 3,535,396

8) Accrued Payroll Liabilities

Accrued payroll liabilities consists of the following at June 30:

	2024	2023
Accrued benefits and taxes	**$ 328,675**	$ 475,110
Accrued unemployment payable	**-**	188,800
Accrued annual and sick leave	**756,935**	557,593
Total accrued payroll liabilities	**$ 1,085,610**	$ 1,221,503

9) Line of Credit

In June 2023, YDI established a line of credit with New Mexico Bank and Trust (NMB&T) for $500,000. This line of credit replaced a $250,000 line of credit with Bank of the West, which was terminated upon establishing the line of credit with NMB&T. The line of credit is secured by all inventory, chattel paper, accounts, equipment, and general intangibles of YDI, as well as a right of setoff in YDI's deposit accounts with NMB&T. The line of credit is due on demand, but if no demand is made, the line of credit continues until such time that both parties agree in writing to terminate the agreement.

Interest on the line of credit is payable monthly at a variable rate equal to the prime rate as published in the Wall Street Journal, which varied between 8.25% to 8.5% during fiscal years 2023 and 2024. At June 30, 2024 and 2023, there were no amounts due on the line of credit.

10) Lease Liabilities

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The standard requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases are classified as either finance or operating leases, with the classification affecting the pattern of expense recognition in the statement of activities. Previously, leases were classified as either capital or operating leases, with only capital leases recognized on the statement of financial position.

YDI has recognized the right-of-use lease assets and related lease liabilities based on the present value of the minimum lease payments for its leases. To establish the initial lease liabilities, the leases were reported with a total future commitment, discounted for present value. YDI has elected to use a risk-free rate (the applicable U.S. Treasury bill rate based on the term of the lease) as its discount rate of each lease. The right-of-use lease assets are amortized over the term of the leases.

Operating Leases
YDI's operating leases consist of the following:

- YDI entered into a building lease commencing on November 1, 2022. Monthly lease payments are due through October 2032. YDI measures the operating lease liability at June 30, 2024 and 2023 of $1,121,168 and $1,134,460, respectively, by calculating the present value of the future lease payments using a discount rate of 6.27%.
- YDI entered into a building lease commencing on April 19, 2021. Monthly lease payments were due through June 2024, but this lease was extended prior to the lease terminating through June 2026. YDI measures the operating lease liability at June 30, 2024 and 2023 of $94,001 and $40,317, respectively, by calculating the present value of the future lease payments using a discount rate of 6.27%.
- YDI entered into a building lease commencing on July 1, 2006. Monthly lease payments were due through June 2024, but this lease was extended prior to the lease terminating through June 2029. YDI measures the operating lease liability at June 30, 2024 and 2023 of $261,493 and $19,619, respectively, by calculating the present value of the future lease payments using a discount rate of 6.27%.
- YDI entered into three separate building leases with the same lessor commencing on July 1, 2020, December 1, 2020, and June 1, 2021. Monthly lease payments on all three leases are due through June 2030. YDI measures the operating lease liability at June 30, 2024 and 2023 of $915,546 and $981,287, respectively, by calculating the present value of the future lease payments using a discount rate of 6.27%.
- YDI entered into a building lease commencing on January 1, 2024. Monthly lease payments are due through December 2026. YDI measures the operating lease liability at June 30, 2024 of $188,312 by calculating the present value of the future lease payments using a discount rate of 6.27%.

10) Lease Liabilities – continued

Financing Lease

YDI's financing lease consists of a copier lease commencing on January 1, 2022. Monthly lease payments are due through January 2027. YDI measures the financing lease liability at June 30, 2024 and 2023 of $109,776 and $134,788, respectively, by calculating the present value of the future lease payments using a discount rate of 6.27%.

The total minimum rental commitments as of June 30, 2024 under YDI's operating and financing leases are as follows:

Years Ending June 30,	Operating Leases	Financing Leases
2025	$ 514,723	$ 47,219
2026	524,849	47,219
2027	443,001	23,609
2028	412,548	-
2029	425,701	-
Thereafter	822,120	-
	3,142,942	118,047
Less: Present value of future lease payments	(562,422)	(8,271)
	$ 2,580,520	$ 109,776

During the years ended June 30, 2024 and 2023, interest expense on the lease liabilities totaled $146,071 and $68,386, respectively, which is reported as a portion of interest expense in the consolidated statements of functional expenses.

11) Notes Payable

Notes payable consist of the following as of June 30:

	2024	2023
Note payable to a financial institution for PPP loan, monthly payments of $7,206 including interest at 1%, maturing in May 2025, unsecured.	**$ 77,780**	$ 164,257
Note payable to Clearinghouse CDFI, monthly payments of $3,319 including interest at 6.5%, balloon payment in November 2035 of $382,033, secured by property.	**498,380**	504,306

11) Notes Payable – continued

	2024	2023
Note payable to Clearinghouse CDFI, monthly payments of $3,006 including interest at 6.5%, balloon payment in October 2036 of $346,097, secured by property.	**$ 457,394**	$ 462,176
Note payable to Clearinghouse CDFI, monthly payments of $1,886 including interest at 7.5%, balloon payment in November 2032 of $235,953, secured by property.	**264,406**	266,586
Note payable to Clearinghouse CDFI, monthly payments of $673 including interest at 7.5%, secured by property.	**24,260**	30,207
Less: Unamortized debt issuance costs	**(32,270)**	(31,959)
Total notes payable, net of debt issuance costs	**1,289,950**	1,395,573
Less: current portion	**(102,048)**	(106,634)
Notes payable, net of current portion	**$ 1,187,902**	$ 1,288,939

The notes above with Clearinghouse CDFI require the submission of financial statements and also requires that YDI satisfy certain measures of financial performance, including debt service coverage. YDI did not comply with the timely submission of financial statements for fiscal year 2024. While CDFI Clearinghouse has not provided a waiver at the date the financial statements were issued, they have not called the loans and management believes it is probable that they will provide a waiver once the audited financial statements are received by Clearinghouse CDFI. As such, YDI has not classified the loan balances with Clearinghouse CDFI as current at June 30, 2024.

Future principal payments on these notes payable as of June 30, 2024, are as follows:

Years Ending June 30,	
2025	$ 102,048
2026	24,717
2027	26,495
2028	23,462
2029	21,698
Thereafter	1,123,800
	$ 1,322,220

12) Rental Income

YDI receives rental income by leasing space to third parties at various locations. Total rental income was $393,407 and $257,558 for the years ended June 30, 2024 and 2023, respectively. Future minimum rentals under the leases are as follows:

Years Ending June 30,	
2025	$ 51,888
2026	53,441
2027	13,459
	$ 118,788

13) Net Assets with Donor Restrictions and Releases from Donor Restrictions

Net assets with donor restrictions are comprised of contributions with donor-imposed stipulations and are available for the following purposes as of June 30:

	2024	2023
Head Start Parent Fund	**$ 118,330**	$ 121,549
Casa Hermosa	**96,206**	96,206
Courts for Sports	**-**	1,790
Total net assets with donor restrictions	**$ 214,536**	$ 219,545

During fiscal year 2024 net assets released from restrictions consisted of expenses of $6,227 for the Head Start Parent Fund, no change in Casa Hermosa restricted funds, and expenses of $1,790 for the Courts for Sports program. During fiscal year 2023 net assets released from restrictions consisted of expenses of $4,634 for the Head Start Parent Fund, no change in Casa Hermosa restricted funds, and expenses of $5,252 for the Courts for Sports program.

14) In-Kind Contributions

YDI has entered into lease agreements for buildings for which the rental payments stated in the agreement are satisfied through the provision of services and/or through operation of YDI's Head Start programs. The lease agreements estimate the fair market value of rent during each year, which is used by YDI to estimate the fair market value of the use of these buildings. For the years ended June 30, 2024 and 2023, YDI's in-kind contributions for the use of these facilities totaled $302,151 and $349,436, respectively.

15) Retirement Plan

Full-time regular employees of YDI can participate in a tax-sheltered annuity plan designed to comply with the requirements of Section 403(b) of the Internal Revenue Code. This plan is classified as a defined contribution plan. Employee contributions to the plan are considered a reduction of salary for federal income tax purposes.

All employees with one month of service are eligible to participate in this plan. YDI makes a contribution of 6% of each employee's bi-weekly salary to the plan. Employees are automatically enrolled in the plan and must waive the benefit in writing if the employee is not willing to contribute any earnings to their respective retirement plan. YDI contributed $854,661 and $678,432 to the retirement plan during the years ended June 30, 2024 and 2023, respectively.

16) Economic Dependence

YDI receives substantial support from federal, state, and local governmental agencies. The continued operations of YDI are dependent on funding from these agencies. YDI received approximately 56% and 59% of its grants and contracts revenue from the U.S. Department of Health and Human Services in fiscal years 2024 and 2023, respectively.

Single Audit Information

Youth Development, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

YDI Program Number	Federal Grantor/ Pass-Through Grantor/ Program or Grant Contract Name	Assistance Listing Number	Pass-through Grantor or Other Identifying Number	Federal Expenditures
	U.S. Department of Agriculture			
	Passed through the State of New Mexico			
2228	Child and Adult Care Food Program	10.558	117	$ 660,335
	Total U.S. Department of Agriculture			**660,335**
	U.S. Department of Interior			
	Direct Award			
5671	Outdoor Recreation, Acquisition, Development and Planning	15.931	P21AC10403-01	16,785
	Total U.S. Department of Interior			**16,785**
	U.S. Department of Labor			
	Passed through the State of New Mexico			
5615	Workforce Innovation and Opportunity Act (WIOA) - Central NM Youth Activities	17.259	20-001-PY21	1,965,235
5810	Reentry Employment Opportunities - Chances	17.270	PE-38620-22-60-A-35	307,362
	Total U.S. Department of Labor			**2,272,597**
	U.S. Department of Education			
	Direct Award			
5710	Adult Education & Family Literacy Act (AEFLA)	84.002	V002A210032	126,595
5839	Congressionally Funded Community Projects - Project Succeed	84.215	S215K220055	175,609
	Total U.S. Department of Education			**302,204**
	U.S. Department of Health and Human Services			
	Direct Awards			
6428	Transitional Living for Homeless Youth	93.550	90CX7360-01-00	233,798
6678	Promoting Safe and Stable Families	93.556	G-1501NMFPSS	631,463
2220	Head Start (Head Start Cluster)	93.600	06CH011997	11,806,194
2010	Head Start (Head Start Cluster)	93.600	06CH011997	5,591
2023	Early Head Start (Head Start Cluster)	93.600	06CH011997	8,367,417
2011	Head Start - Training (Head Start Cluster)	93.600	06CH011997	110,122
2022	Early Head Start - Training (Head Start Cluster)	93.600	06CH011997	152,248
2223	COVID-19 Head Start - ARPA (Head Start Cluster)	93.600	06HE001378	8,790
2234	COVID-19 Head Start (Head Start Cluster)	93.600	06HE001378	196,028
6461	Basic Center Grant	93.623	90CY7226-01-00	242,244
	Total U.S. Department of Health and Human Services			**21,753,895**
	Total expenditures of federal awards			**$ 25,005,816**

The accompanying notes are an integral part of this schedule.

Youth Development, Inc.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Youth Development, Inc. (YDI) under programs of the federal government for the year ended June 30, 2024. Because the Schedule presents only a selected portion of the operations of YDI, it is not intended to and does not present the financial position, changes in net assets, or cash flows of YDI.

2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3) Indirect Cost Rate

YDI has received a Negotiated Indirect Cost Agreement for fiscal years ending June 30, 2024 and 2023. As such, under the Uniform Guidance, YDI is no longer eligible to use the de minimis rate of 10%.

4) Child Care Stabilization Grants

During fiscal year 2024, YDI was the recipient of child care stabilization grants in the total amount of $1,974,991. The State of New Mexico Early Childhood Education and Care Department (ECECD) was allocated COVID-19 pandemic relief funding from the federal government for these stabilization grants to ensure child care providers remain open and child care is available for all families. This has included administering funding received via the American Rescue Plan Act (ARPA) Child Care Stabilization Funds to invest in New Mexico's child care system.

According to the 2024 OMB *Compliance Supplement*, child care stabilization funds included in ARPA are for the benefit of qualified child care providers and are considered payments made to beneficiaries of a federal program. Qualified providers, which includes YDI's Head Start centers, receiving ARPA stabilization funds are therefore not categorized as "subrecipients" as defined at 45 CFR 75.2 but instead as beneficiaries. As a result, YDI has not included the expenditure of these child care stabilization grants as federal awards expended in the Schedule.

SJT GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Youth Development, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Youth Development, Inc. and its subsidiaries 428 Los Lentes LLC, Flora Vista Apartments LLC, and YDI 6306 Central LLC (collectively "YDI", a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 25, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered YDI's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of YDI's internal control. Accordingly, we do not express an opinion on the effectiveness of YDI's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether YDI's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

YDI's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on YDI's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. YDI's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of YDI's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering YDI's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SJT Group LLC

Albuquerque, New Mexico
March 25, 2025

SJT GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance for the Major Program and On Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Youth Development, Inc.

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Youth Development, Inc.'s (YDI) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on YDI's major federal program for the year ended June 30, 2024. YDI's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, YDI complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of YDI and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of YDI's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to YDI's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on YDI's compliance based on our audit. 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 material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about YDI's compliance with the requirements of the major federal program as a whole.

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 noncompliance, 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 YDI's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of YDI's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of YDI's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

SJT Group LLC

Albuquerque, New Mexico
March 25, 2025

Youth Development, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

Section I — Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for the major program:	Unmodified
Internal control over the major program:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

Identification of the major program:

Assistance Listing Number	Name of Federal Program or Cluster
93.600	Head Start and Early Head Start

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

Youth Development, Inc.
Schedule of Findings and Questioned Costs — continued
For the Year Ended June 30, 2024

Section II — Financial Statement Findings

2024-001 – Audit Adjustments

Criteria: Monthly maintenance of the trial balance and preparation of financial statements in accordance with generally accepted accounting principles (GAAP) ensures that timely, accurate and useful information is available to management and those charged with governance. Accounting records should include a complete, balanced general ledger that records all transactions, supported by appropriate subsidiary records, to permit the preparation of accurate financial statements on a timely basis. Procedures should be in place to ensure that balance sheet accounts are independently reviewed and reconciled to subsidiary records at least monthly.

Condition: Adjusting journal entries were required to correct balances after the accounting records were closed at year-end. Adjustments were needed to correct reported balances of grants receivable, intercompany accounts, right-of-use lease assets, lease liabilities, accrued payroll liabilities, program service revenues, grant revenues and expenses.

Cause: There was turnover in YDI's accounting department during fiscal year 2024. There were new leave policies adopted in fiscal year 2024 that required additional analysis and adjustments. YDI also implemented the leases module of its accounting system, which resulted in different calculations of right-of-use lease assets and lease liabilities.

Effect: When financial statements are not accurately reconciled and timely prepared, there is an increased risk that material errors, whether intentional or unintentional, may occur and go undetected and unresolved. Additionally, the Board of Directors or other financial statement users may rely on financial information that may be materially incorrect.

Auditors' Recommendations: YDI should implement its monthly/annual reconciliation procedures and assign responsibility for each procedure to accounting department staff.

Management's Response: YDI finance has hired a general accountant to take over the monthly trial balance reconciliation. Her focus will be the trial balance. YDI finance has also added to each divisions projections that are reported to the program vice presidents, checks and balances to ensure that revenue, expenses, accounts receivable, and deferred revenue is reviewed monthly. Both the CFO and the Controller will be reviewing monthly the trial balance and the projections. This should negate having adjusting entries by the auditors.

Youth Development, Inc.
Schedule of Findings and Questioned Costs — continued
For the Year Ended June 30, 2024

Section III — Federal Award Findings and Questioned Costs

None.

Youth Development, Inc.

Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2024

2023-001 – Account Reconciliations and Financial Statement Preparation

Condition: YDI's accounting records for the year ended June 30, 2023, were not closed until more than 8 months after year-end. Additionally, significant adjusting journal entries were required to correct balances after the accounting records were closed at year-end. Adjustments were needed to correct reported balances of grants receivable, property, furniture and equipment, accounts payable, accrued payroll liabilities, grant revenues and expenses.

Current Status: Unresolved, see repeated and modified finding at 2024-001.

Youth Development, Inc.
Corrective Action Plan
For the Year Ended June 30, 2024

2024-001 – Audit Adjustments

Corrective Action: The 2024 audit did not have significant adjusting journal entries, and all of the cash accounts were reconciled by year end. There were no adjustments for property, furniture and equipment and no entries for accounts payable as was in the 2023 audit. The entries that were recognized were minimal for a large revenue stream and complex business model. There was a difference of opinion on the lease accounting which caused a large adjustment on the Statement of Financial Position and a minimal adjustment on the Statement of Activities. The CFO acknowledges that the auditor's adjustment is the correct one.

YDI finance has started reviewing the trial balance monthly and has hired an accountant to reconcile all accounts along with the senior accountant/payroll supervisor reconciling the payroll accounts. The budget analysts have added to their monthly projections the accounts receivable report and a deferred revenue report to show that they are current and agree with the balances. The CFO and the controller will be reviewing all accounts monthly.

Person Responsible: Tanya Brown, CPA, Chief Financial Officer, and Rosa Lira, Controller

Completion Date: April 20, 2025