

Rocky Mountain Youth Corps

FINANCIAL STATEMENTS

June 30, 2015 and 2014

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Rocky Mountain Youth Corps

Report on the Financial Statements

We have audited the accompanying financial statements of Rocky Mountain Youth Corps (RMYC), a not-for-profit organization, which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to RMYC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RMYC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RMYC as of June 30, 2015 and 2014, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 November 17, 2015, on our consideration of RMYC'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 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 RMYC's internal control over financial reporting and compliance.

November 17, 2015


Pulakos CPAs, PC

Rocky Mountain Youth Corps

STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

Assets	2015	2014
Current assets		
Cash	\$ 124,475	\$ 36,171
Grants receivable	268,053	244,359
Accounts and other receivables	20	1,707
Inventories	5,508	6,665
Deposits	5,036	10,212
Prepaid expenses	-	1,173
Total current assets	403,092	300,287
Non-current assets		
Endowment investments	10,194	28,520
Property and equipment, net	418,863	413,284
Total non-current assets	429,057	441,804
Total assets	\$ 832,149	\$ 742,091
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 90,835	\$ 59,196
Accrued payroll and related taxes	111,196	127,374
Line-of-credit	-	100,000
Deferred revenue	129,380	-
Compensated absences	13,947	46,362
Total current liabilities	345,358	332,932
Net assets		
Unrestricted	476,597	399,648
Temporarily restricted	2,694	2,011
Permanently restricted	7,500	7,500
Total net assets	486,791	409,159
Total liabilities and net assets	\$ 832,149	\$ 742,091

Rocky Mountain Youth Corps

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains and losses				
Federal and State grants and agreements	\$ 1,553,944	\$ -	\$ -	\$ 1,553,944
Other grants and agreements	118,042	-	-	118,042
Fee for service	665,323	-	-	665,323
Contributions	33,729	-	-	33,729
Leadership, training fees and special events	48,358	-	-	48,358
Interest and investment gain	2,308	683	-	2,991
Miscellaneous income	2,316	-	-	2,316
Gain on sale of assets	2,700	-	-	2,700
	2,426,720	683	-	2,427,403
Other support				
In-kind contributions	10,450	-	-	10,450
	2,437,170	683	-	2,437,853
Expenses				
Program expenses	1,962,293	-	-	1,962,293
General and administrative	302,837	-	-	302,837
Fundraising	95,091	-	-	95,091
	2,360,221	-	-	2,360,221
Change in net assets	76,949	683	-	77,632
Net assets, beginning of year	399,648	2,011	7,500	409,159
Net assets, end of year	\$ 476,597	\$ 2,694	\$ 7,500	\$ 486,791

See Notes to Financial Statements and Independent Auditors' Report.

Rocky Mountain Youth Corps

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and gains and losses				
Federal and State grants and agreements	\$ 1,534,126	\$ -	\$ -	\$ 1,534,126
Other grants and agreements	345,619	-	-	345,619
Fee for service	250,277	-	-	250,277
Contributions	24,965	-	-	24,965
Leadership, training fees and special events	22,757	-	-	22,757
Interest and investment gain	589	178	-	767
Miscellaneous income	305	-	-	305
Gain on sale of assets	3,950	-	-	3,950
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues and gains and losses	2,182,588	178	-	2,182,766
Other support				
In-kind contributions	950	-	-	950
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues, gains and losses and other support	2,183,538	178	-	2,183,716
Expenses				
Program expenses	1,924,737	-	-	1,924,737
General and administrative	281,711	-	-	281,711
Fundraising	124,583	-	-	124,583
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	2,331,031	-	-	2,331,031
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	(147,493)	178	-	(147,315)
Net assets, beginning of year	547,141	1,833	7,500	556,474
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets, end of year	<u>\$ 399,648</u>	<u>\$ 2,011</u>	<u>\$ 7,500</u>	<u>\$ 409,159</u>

See Notes to Financial Statements and Independent Auditors' Report.

Rocky Mountain Youth Corps

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2015 and 2014

	2015	2014
Operating activities		
Change in net assets	\$ 77,632	\$ (147,315)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	17,977	30,183
Gain on disposal of assets	(2,700)	(3,100)
Unrealized and realized gain on endowment	720	(371)
Interest and investment income	(881)	(225)
Changes in operating assets and liabilities		
Grants receivable	(23,694)	181,694
Accounts and other receivables	1,687	893
Inventories	1,157	2,753
Deposits	5,176	(7,158)
Prepaid expenses	1,173	19,217
Accounts payable	31,639	(30,035)
Accrued payroll and related taxes	(16,178)	14,639
Deferred revenue	129,380	(246,460)
Compensated absences	(32,415)	10,534
Net cash provided (used) by operating activities	190,673	(174,751)
Investing activities		
Proceeds from sale of capital assets	2,700	3,100
Purchases of property and equipment	(23,556)	(44,289)
Proceeds from sale of investments	18,487	-
Net cash used by investing activities	(2,369)	(41,189)
Financing activities - net (repayment) borrowing on lines-of-credit	(100,000)	100,000
Net cash (used) provided by financing activities	(100,000)	100,000
Net change in cash and cash equivalents	88,304	(115,940)
Cash and cash equivalents, beginning of year	36,171	152,111
Cash and cash equivalents, end of year	\$ 124,475	\$ 36,171
Supplemental disclosure - cash paid for interest	\$ 5,079	\$ 1,309

Rocky Mountain Youth Corps

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2015

	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Compensation and related employee benefits	\$ 1,412,233	\$ 217,364	\$ 80,572	\$ 1,710,169
Supplies and materials	236,313	6,019	155	242,487
Transportation	54,753	2,204	74	57,031
Lease expense	43,425	6,458	1,147	51,030
Insurance	39,637	5,901	5,267	50,805
Professional services	33,433	11,554	-	44,987
Training and education	38,104	165	-	38,269
Evaluation	25,024	-	-	25,024
Advertising and promotion	16,123	1,072	2,445	19,640
Miscellaneous	10,252	7,680	392	18,324
Depreciation	12,878	5,099	-	17,977
Travel	15,939	1,455	-	17,394
Dues and subscriptions	4,826	8,615	200	13,641
Telephone	3,721	7,077	348	11,146
In-kind expense	450	10,000	-	10,450
Maintenance and repairs	4,404	2,679	249	7,332
Printing and copying	-	7,060	73	7,133
Interest	5,079	-	-	5,079
Utilities	3,833	483	90	4,406
Special events	-	-	4,079	4,079
Uniforms	1,866	1,952	-	3,818
	<u>1,962,293</u>	<u>302,837</u>	<u>95,091</u>	<u>2,360,221</u>
Total expenses	<u>\$ 1,962,293</u>	<u>\$ 302,837</u>	<u>\$ 95,091</u>	<u>\$ 2,360,221</u>

Rocky Mountain Youth Corps

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2014

	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Compensation and related employee benefits	\$ 1,421,217	\$ 146,019	\$ 107,214	\$ 1,674,450
Supplies and materials	218,954	5,524	631	225,109
Insurance	30,184	45,465	-	75,649
Professional services	47,592	3,145	925	51,662
Transportation	46,863	1,673	143	48,679
Lease expense	35,392	12,187	849	48,428
Training and education	42,948	103	23	43,074
Miscellaneous	2,882	28,012	1,358	32,252
Depreciation	15,419	14,595	169	30,183
Travel	17,797	2,585	28	20,410
Advertising and promotion	11,421	2,267	1,596	15,284
Telephone	6,161	5,955	516	12,632
Special events	-	-	9,880	9,880
Maintenance and repairs	6,530	2,109	352	8,991
Evaluation	7,951	-	-	7,951
Printing and copying	-	7,211	573	7,784
Dues and subscriptions	5,514	2,031	140	7,685
Utilities	4,206	1,440	136	5,782
Uniforms	3,406	81	50	3,537
Interest	-	1,309	-	1,309
In-kind expense	300	-	-	300
	<u>\$ 1,924,737</u>	<u>\$ 281,711</u>	<u>\$ 124,583</u>	<u>\$ 2,331,031</u>
Total expenses	<u>\$ 1,924,737</u>	<u>\$ 281,711</u>	<u>\$ 124,583</u>	<u>\$ 2,331,031</u>

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 1 – NATURE OF BUSINESS

Rocky Mountain Youth Corps (RMYC) is a not-for-profit organization located and incorporated in Taos, New Mexico in November of 1994. RMYC establishes community service projects in collaboration with various governmental, business, and nonprofit organizations and facilitates these community service projects through employment of young people eager to gain work experience. RMYC provides meaningful, paid work experience and education to youth focusing on personal development in the areas of financial management, communication, employment training, work-specific skills, and civic responsibility. RMYC also meets significant community needs, primarily in the areas of community development, environmental restoration, and education.

RMYC operates the following programs:

Conservation

RMYC Conservation Crews provide community beautification, preservation, and environmental enhancement projects. Field crewmembers learn about natural resource management and gain a conscientious respect for the environment.

Training

The Leadership and Training Center is the internal training provider for RMYC that also offers its powerful training to community partners. The staff of this program offer project specific trainings, workforce development trainings, and personal leadership trainings to RMYC's members. In addition, the Ropes Course is offered to every crew but also made available to community organizations looking to take advantage of the team-building, leadership preparation, and personal goal-setting opportunities the Course has to offer.

Energy Efficiency

RMYC and The New Mexico Mortgage Finance Authority's (MFA) New Mexico EnergySmart Program make homes more comfortable and more energy efficient at no cost to the homeowners.

In March 2015, RMYC ceased programming for the New Mexico EnergySmart Program in an attempt to return the organization to positive operating position. Management will continue to monitor profitability and believes that these changes will allow RMYC to achieve sustainable operations into the future.

Learning Lab

The Learning Lab is a crew-based alternative education program for expelled or suspended middle school students. Program graduates return to the public school system.

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For purposes of the statements of cash flows, RMYC considers unrestricted highly liquid investments with an original maturity date of 90 days or less to be cash equivalents. Cash held at financial institutions is periodically in excess of federally insured limits.

Grants and Accounts Receivable

Grants and accounts receivable are stated at their estimated collectible amounts. Receivables are considered delinquent if not paid within 90 days of invoice date.

Management considers grants and accounts receivable to be fully collectible, and accordingly, no allowance has been provided for uncollectible accounts for fiscal years 2015 and 2014.

Inventory

Inventory consists of food and weatherization items used in support of RMYC's AmeriCorps and NM EnergySmart Programs. Inventories are stated at the lower of cost (first-in, first-out) or market.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for repairs and maintenance are charged to expense as incurred. Depreciation and amortization of fixed assets are computed using the straight-line method at rates sufficient to recover the basis of the asset over its estimated useful life. The lives used to compute depreciation and amortization range from three to five years. Acquisitions of property and equipment over \$500 and useful life greater than one year are capitalized.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are recorded as temporarily restricted support. It is RMYC's policy to record donations of property and equipment that have no donor restrictions as unrestricted support in the period of contribution.

Investments

Investments have been presented at fair market value. Alternative investments are carried at their net realizable value. Unrealized and realized gains and losses on investments are reported in the statements of activities and changes in net assets. Accordingly, the fair value measurement provisions of accounting principles generally accepted in the United States of America, have been adopted by RMYC as disclosed in Note 4 to these financial statements.

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributions and Promises to Give

Contributions and unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Non-cash donations are recorded at their estimated fair value on the date of donation.

Restricted and Unrestricted Contributions

Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which revenue is recognized.

Donated Goods and Services

Donated goods and services are recorded at their estimated fair values as of the date of contribution and capitalized if in excess of the \$500 threshold policy. Contributions of services are recognized in the financial statements if the services received enhance or create nonfinancial assets, require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions were \$10,450 and \$950 in 2015 and 2014, respectively. In-kind contributions consisted of donated space at various schools, donated wages for crew services, donated equipment, and donated items for the annual dinner.

Net Assets

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

Unrestricted net assets are not subject to donor-imposed restriction. Unrestricted net assets may be designated for a specific purpose by action of the Board of Directors.

Temporarily restricted net assets are resources received from activities and contributors which are designated to be expended in a specific manner or within a specified time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets are net assets required to be maintained in perpetuity, due to the donor-imposed restrictions.

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs were \$19,640 and \$15,284 in 2015 and 2014, respectively.

Fair Value Measurements

Accounting principles generally accepted in the United States of America establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical investments that RMYC has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, inputs other than observable quoted prices, or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Functional Classification of Expenses

RMYC presents its expenses on a functional basis among its various programs and support services. Expenses and support services that can be identified with a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to several programs are allocated based on various relationships such as direct labor hours and square footage.

Financial Instruments

The carrying amounts of cash, receivables, payables, and accrued liabilities and other obligations approximate fair value due to the short-term nature of these instruments.

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes

RMYC is a non-profit corporation and qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. As such, its normal activities do not result in any income tax liability. However, income from certain activities not directly related to RMYC's tax-exempt purpose is subject to taxation as unrelated business income.

RMYC has adopted accounting principles generally accepted in the United States of America as they relate to uncertain tax positions for the years ended June 30, 2015 and 2014. Any interest and penalties recognized associated with a tax position would be classified as current in RMYC's financial statements. No interest or penalties were recorded in 2015 or 2014.

Currently, RMYC's 2012, 2013, and 2014 tax years are open and subject to examination by the Internal Revenue Service and New Mexico Taxation and Revenue Department. However, RMYC is not currently under audit, nor has RMYC been contacted by any of these jurisdictions. Based on the evaluation of RMYC's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain income taxes has been recorded in 2015 and 2014.

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 the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Those estimates and assumptions affect the reported revenues and expenses. Actual results could differ from these estimates.

Subsequent Events

RMYC has evaluated all events occurring subsequent to June 30, 2015 through November 17, 2015, which is the date that the financial statements were issued, and believes that no such events occurring during this period have been disclosed in the accompanying financial statements.

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 3 – PROPERTY AND EQUIPMENT

As of June 30, 2015 and 2014, property and equipment consisted of the following:

	<u>2015</u>	<u>2014</u>
Vehicles, tools and equipment	\$ 333,860	\$ 310,802
Ropes course	57,454	57,454
Furniture and fixtures	<u>17,418</u>	<u>26,540</u>
	408,732	394,796
Less accumulated depreciation	<u>(369,905)</u>	<u>(361,548)</u>
	38,827	33,248
Construction in progress	117,403	117,403
Land	<u>262,633</u>	<u>262,633</u>
Total property and equipment, net	<u>\$ 418,863</u>	<u>\$ 413,284</u>

Construction in progress consisted of architectural fees and salaries incurred for the construction of the new campus.

In support of the MFA NM EnergySmart Program, RMYC uses property and equipment consisting of specialized weatherization equipment, vehicles and computer equipment in its operations that are not recorded on their statement of financial position. Title to all property and equipment, with a combined book value of \$437,693, remains with the MFA and was remitted back to MFA when the program was discontinued in March 2015. RMYC was responsible for providing liability insurance and maintenance of the MFA property and equipment.

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 4 – FAIR VALUE MEASUREMENT

The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2015 and 2014:

<u>Assets at Fair Value</u>				
<u>2015 - Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment in New Mexico Community Foundation (Endowment Investment)	\$ 10,194	\$ -	\$ -	\$ 10,194
Total investments	<u>\$ 10,194</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,194</u>

<u>Assets at Fair Value</u>				
<u>2014 - Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment in New Mexico Community Foundation (Endowment Investment)	\$ 28,520	\$ -	\$ -	\$ 28,520
Total investments	<u>\$ 28,520</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,520</u>

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

Endowment Investments: Valued at net realizable value, as determined by the quoted prices as provided by the investment manager, which pools all funds and allocates investment activity to each fund accordingly.

The methods described above, may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 4 – FAIR VALUE MEASUREMENT – CONTINUED

Level 3 Investments

The following tables present RMYC's activities for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2015 and 2014: Level 3 activity is as follows:

	<u>2015</u>	<u>2014</u>
Beginning balances	\$ 28,520	\$ 27,924
Interest and dividend income	881	537
Realized and unrealized (losses)/gains	(720)	371
Sale of investments	<u>(18,487)</u>	<u>(312)</u>
Ending balances	<u>\$ 10,194</u>	<u>\$ 28,520</u>

NOTE 5 – ENDOWMENT

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) provides industry guidance to organizations similar to RMYC. The State of New Mexico adopted UPMIFA effective July 1, 2009. RMYC's Board of Directors has determined that all of RMYC's investment assets meet the definition of endowment funds under UPMIFA.

Endowment Investment and Spending Policies

RMYC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by its endowment while seeking to maintain the purchasing power of the endowment.

RMYC endowment funds are administered by The New Mexico Community Foundation, a New Mexico non-profit corporation. Distributions are based on actual investment earnings and are classified as temporarily restricted net assets.

In determining the prudent amount to distribute in a given year, RMYC considers the donor's intent that the fund continue in perpetuity, the purpose of the fund as stated in the fund agreement, and relevant economic factors. RMYC has a policy of appropriating for distribution each year up to 5% of the rolling three-year average of the fair market value of the endowment.

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 5 – ENDOWMENT – CONTINUED

Endowment Investment and Spending Policies - Continued

The investment policies establish a return objective through diversification of asset classes. The current long-term return objective is the rate of inflation plus spending, net of investment fees. To satisfy its long-term rate of return objectives, RMYC relies on a total return strategy in which investment returns may be achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). RMYC targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

Income from the endowment is appropriated for program specific operational expenses as deemed necessary.

Changes in endowment net assets for the fiscal year ended June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 19,009	\$ 2,011	\$ 7,500	\$ 28,520
Investment return				
Interest and dividends, net of management fees	399	482	-	881
Net realized and unrealized (losses)/gains	(921)	201	-	(720)
Total investment return	(524)	683	-	161
Sale of investments	(18,487)	-	-	(18,487)
Endowment net assets, end of year	\$ -	\$ 2,694	\$ 7,500	\$ 10,194

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 5 – ENDOWMENT – CONTINUED

Changes in endowment net assets for the fiscal year ended June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 18,591	\$ 1,833	\$ 7,500	\$ 27,924
Investment return				
Interest and dividends, net of management fees	150	75	-	225
Net realized and unrealized gains	<u>268</u>	<u>103</u>	<u>-</u>	<u>371</u>
Total investment return	<u>418</u>	<u>178</u>	<u>-</u>	<u>596</u>
Endowment net assets, end of year	<u>\$ 19,009</u>	<u>\$ 2,011</u>	<u>\$ 7,500</u>	<u>\$ 28,520</u>

NOTE 6 – LINE-OF-CREDIT

RMYC has a revolving line-of-credit at a bank for up to \$200,000 secured by real estate, with interest at 6.25% and a maturity date of June 15, 2016. The outstanding balance was zero and \$100,000 at June 30, 2015 and 2014. Management expects the line will be renewed under similar terms.

In 2015, RMYC added a revolving line-of-credit at a bank for up to \$150,000 secured by real estate, with interest at 6.25% and a maturity date of December 15, 2015. The outstanding balance was zero at June 30, 2015. Management does not expect to renew the line at maturity.

NOTE 7 – BENEFIT PLANS

RMYC provides retirement benefits to its employees through a Simple IRA contribution plan covering all full-time employees over the age of 18 and with 60 days of eligible experience. RMYC matches employee contributions of 1% to a maximum of 3% of gross wages. RMYC contributed \$7,966 and \$10,508 to this plan in 2015 and 2014, respectively.

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 8 – LEASES

RMYC rented its operating facilities under two operating lease agreements. One of the leases was terminated in May 2015 with the ceased programming for the New Mexico EnergySmart Program as discussed in Footnote 1. The current facilities lease calls for monthly payments of \$3,150 and expires October 31, 2016. RMYC is also party to an office copier lease, which expires in March 2016 and calls for monthly payments of \$454. Total rent expense under these leases was \$58,162 and \$56,214, in 2015 and 2014, respectively.

Future minimum fiscal year lease payments are as follows:

2016	\$	43,085
2017		<u>13,200</u>
	\$	<u>56,285</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Grants

RMYC receives a significant portion of its revenue from grants and from contracts with government agencies, leaving RMYC subject to possible fluctuations resulting from changes in governmental funding priorities. RMYC received approximately 68% and 70% in 2015 and 2014, respectively, of its gross revenues from such grants and contracts. Related receivables were approximately 99% and 97% of total receivables as of June 30, 2015 and 2014, respectively.

Certain funds received are subject to review and audit by grantor agencies. Such audits could result in requests for reimbursement by the grantor agencies for amounts disallowed under terms and conditions of the grant agreements. As of June 30, 2015 and 2014, no amounts were due to grantor agencies as a result of these examinations.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Rocky Mountain Youth Corps

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantors Number	<u>Expenditures</u>
U.S. Corporation for National and Community Service			
Passed through from the New Mexico Department of Workforce Solutions (NMDWS):			
AmeriCorps Formula (2013-14)	94.006	14-631-8001-00040	\$ 59,041
AmeriCorps Formula (2014-15)	94.006	15-631-8001-00026	430,045
Total NMDWS			489,086
 U.S. Department of Energy			
Passed through from New Mexico Mortgage Finance Authority:			
New Mexico Energy\$mart	81.042	14-06-RMYC-DOE-001	171,948
Low Income Home Energy Assistance Act of 1981 – New Mexico Energy\$mart	93.568	14-06-RMYC-FEDERAL-LIHEAP-001	257,509
New Mexico Gas Company – New Mexico Energy\$mart	81.042	14-01-RMYC-NMG-001	68,699
Total U.S. Department of Energy			498,156
 U.S. Department of Agriculture			
Community Forestry Restoration Program	10.679	11-DG-11030200-016	71,016
Community Forestry Restoration Program	10.679	12-DG-11030200-015	54,488
Total Department of Agriculture			125,503
 U.S. Fish and Wildlife Service			
Conservation Program	15.6756	F15AC00382	42,055

Rocky Mountain Youth Corps

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantors Number	<u>Expenditures</u>
U.S. Department of the Interior:			
Bureau of Land Management			
Rio Grande del Norte Monument	15.225	L14AC00061-002	8,107
YCC2014	15,225	L14AC00061	<u>11,751</u>
Total U.S. Department of the Interior			19,858
National Park Service			
Economic Development Initiative			
Old Sante Fe Building Project	15.931	P14AC01210 (P09AC00399)	16,814
Bandelier Project	15.931	P14AC00404 (P09AC00399)	70,122
Bandelier Project 14/15 Trail Crew	15.931	P14AC00404 (P09AC00399)	<u>78,000</u>
Total National Park Service			<u>164,936</u>
Total federal expenditures			<u>\$ 1,339,594</u>

NOTE - The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

**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
Rocky Mountain Youth Corps

We have audited, in accordance with the 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 financial statements of Rocky Mountain Youth Corps (RMYC), a nonprofit organization, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 17, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered RMYC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RMYC's internal control. Accordingly, we do not express an opinion on the effectiveness of the RMYC'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 RMYC'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RMYC's 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*.

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 RMYC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RMYC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 17, 2015


Pulakos CPAs, PC

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133***

Board of Directors
Rocky Mountain Youth Corps

Report on Compliance for Each Major Federal Program

We have audited Rocky Mountain Youth Corps' (RMYC) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of RMYC's major federal programs for the year ended June 30, 2015. RMYC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of RMYC's major federal programs based on our audit of the types of compliance requirements referred to above. 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 *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about RMYC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of RMYC's compliance.

Opinion on Each Major Federal Program

In our opinion, RMYC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of RMYC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered RMYC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of RMYC's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

November 17, 2015


Pulakos CPAs, PC

Rocky Mountain Youth Corps

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2015

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X No

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X No

Type of auditors' report issued on compliance
for major programs:

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with *Circular A-133*,
Section 510(a)?

_____ Yes X No

Identification of major programs:

CFDA Numbers(s) Cluster

Name of Federal Program or

94.006

U.S. Corporation for National and
Community Service: AmeriCorps
Program

81.042

U.S. Department of Energy:
Weatherization Program

Dollar threshold used to distinguish
between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

_____ Yes X No

Rocky Mountain Youth Corps

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2015

SECTION II - FINANCIAL STATEMENT AUDIT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SECTION IV - SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Financial Statement Finding:

FINDING 2014-001 Reconciliation and Review – MATERIAL WEAKNESS

Condition: Review of the bank reconciliations, property and equipment listings, and posted journal entries was not performed regularly.

Recommendation: RMYC should develop control processes to ensure review by an individual not involved with the preparation of the bank reconciliation, recording of property and equipment, or the journal entry process to ensure the accounts are reconciled properly and timely for adequate interim analysis by management and the board of directors.

Current Status: No similar findings were noted during the 2015 audit.

U.S. Corporation for National and Community Service:

AmeriCorps Formula (2012-13) – CFDA No. 94.006; Grant No. 13-690-154411

AmeriCorps Formula (2013-14) – CFDA No. 94.006; Grant No. 14-631-8001-00040

U.S. Department of Energy

New Mexico Energy\$mart – CFDA No. 81.042; Grant No. 13-06-RMYC-DOE-001

Low Income Home Energy Assistance Act of 1981- New Mexico Energy\$mart – CFDA No. 81.042; Grant No. 13-06-RMYC-FEDERAL-LIHEAP-001;

New Mexico Gas Company-New Mexico Energy\$mart – CFDA No. 81.042

Refrigerator and compact Florescent Lamp Replacement – New Mexico Energy\$mart – CFDA No. 81.042

FINDING 2014-002 Indirect Cost Allocation

Condition: RMYC did not follow their internal indirect cost allocation methodology consistently throughout the year.

Recommendation: RMYC should develop and follow an indirect cost allocation methodology that allows them to utilize their assigned budgets over the entire grant period.

Current Status: No similar findings were noted during the 2015 audit.

Rocky Mountain Youth Corps

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2015

SECTION IV - SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED

U.S. Department of Energy

New Mexico Gas Company-New Mexico Energy\$mart – CFDA No. 81.042; Grant No. 14-01-RMYC-NMG-001

FINDING 2014-003 Applicant Eligibility Determination

Condition: Work was completed on a house with income verification that was 24 months old.

Recommendation: Control processes should be developed to recertify houses that are removed from the waiting list but before work is started. This will ensure all applicants are eligible for the weatherization program.

Current Status: No similar findings were noted during the 2015 audit.