

Rocky Mountain Youth Corps

FINANCIAL STATEMENTS

June 30, 2016 and 2015

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, 2016 and 2015, 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 audits 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, 2016 and 2015, 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 audits were 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 Title 2 U.S. Code of Federal Regulations (CFR) 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 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 December 6, 2016, 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.

December 6, 2016


Pulakos CPAs, PC

Rocky Mountain Youth Corps

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

Assets	2016	2015
Current assets		
Cash	\$ 71,740	\$ 124,475
Grants receivable	209,975	268,053
Accounts and other receivables	-	20
Inventories	3,565	5,508
Deposits	10,959	5,036
Prepaid expenses	37,647	-
Total current assets	333,886	403,092
Non-current assets		
Endowment investments	-	10,194
Property and equipment, net	473,487	418,863
Total non-current assets	473,487	429,057
Total assets	\$ 807,373	\$ 832,149
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 34,173	\$ 90,835
Accrued payroll and related taxes	107,406	111,196
Deferred revenue	52,670	129,380
Compensated absences	11,434	13,947
Total current liabilities	205,683	345,358
Net assets		
Unrestricted	601,690	476,597
Temporarily restricted	-	2,694
Permanently restricted	-	7,500
Total net assets	601,690	486,791
Total liabilities and net assets	\$ 807,373	\$ 832,149

Rocky Mountain Youth Corps

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2016

	<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	\$ 1,080,142	\$ -	\$ -	\$ 1,080,142
Other grants and agreements	244,197	-	-	244,197
Fee for service	903,811	-	-	903,811
Contributions	12,924	-	-	12,924
Leadership, training fees and special events	16,731	-	-	16,731
Interest and investment gain	31	-	-	31
Miscellaneous income	1,240	-	-	1,240
Gain on sale of assets	1,500	-	-	1,500
Net assets released from restrictions	10,194	(2,694)	(7,500)	-
Total revenues and gains and losses	2,270,770	(2,694)	(7,500)	2,260,576
Other support				
In-kind contributions	124,083	-	-	124,083
Total revenues, gains and losses and other support	2,394,853	(2,694)	(7,500)	2,384,659
Expenses				
Program expenses	1,860,731	-	-	1,860,731
General and administrative	324,097	-	-	324,097
Fundraising	84,932	-	-	84,932
Total expenses	2,269,760	-	-	2,269,760
Change in net assets	125,093	(2,694)	(7,500)	114,899
Net assets, beginning of year	476,597	2,694	7,500	486,791
Net assets, end of year	<u>\$ 601,690</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 601,690</u>

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, 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

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2015 and 2014

	2016	2015
Operating activities		
Change in net assets	\$ 114,899	\$ 77,632
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	28,144	17,977
Gain on disposal of assets	(1,500)	(2,700)
Unrealized and realized gain on endowment	-	720
Interest and investment income	-	(881)
Changes in operating assets and liabilities		
Grants receivable	58,078	(23,694)
Accounts and other receivables	20	1,687
Inventories	1,943	1,157
Deposits	(5,923)	5,176
Prepaid expenses	(37,647)	1,173
Accounts payable	(56,662)	31,639
Accrued payroll and related taxes	(3,790)	(16,178)
Deferred revenue	(76,710)	129,380
Compensated absences	(2,513)	(32,415)
	18,339	190,673
Net cash provided by operating activities		
Investing activities		
Proceeds from sale of capital assets	-	2,700
Purchases of property and equipment	(81,268)	(23,556)
Proceeds from sale of investments	10,194	18,487
	(71,074)	(2,369)
Net cash used by investing activities		
Financing activities - net repayment on lines-of-credit	-	(100,000)
	-	(100,000)
Net cash used by financing activities		
Net change in cash and cash equivalents	(52,735)	88,304
Cash and cash equivalents, beginning of year	124,475	36,171
Cash and cash equivalents, end of year	\$ 71,740	\$ 124,475
Supplemental disclosure - cash paid for interest	\$ -	\$ 5,079

Rocky Mountain Youth Corps

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016

	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Compensation and related employee benefits	\$ 1,427,675	\$ 183,503	\$ 64,265	\$ 1,675,443
Supplies and materials	50,147	18,051	525	68,723
Transportation	52,768	1,423	176	54,367
Lease expense	19,627	19,136	1,134	39,897
Insurance	19,268	4,137	1,393	24,798
Professional services	37,392	10,046	1,215	48,653
Training and education	24,872	3,244	-	28,116
Evaluation	26,876	-	-	26,876
Advertising and promotion	27,834	1,741	400	29,975
Miscellaneous	6,154	42,437	1,682	50,273
Depreciation	23,728	4,290	126	28,144
Travel	5,642	7,392	35	13,069
Dues and subscriptions	6,541	10,768	41	17,350
Telephone	2,898	5,524	300	8,722
In-kind expense	123,933	-	150	124,083
Maintenance and repairs	1,441	5,172	-	6,613
Printing and copying	782	5,899	3,652	10,333
Utilities	1,289	1,316	77	2,682
Special events	-	-	9,761	9,761
Uniforms	1,864	18	-	1,882
	<u>1,860,731</u>	<u>324,097</u>	<u>84,932</u>	<u>2,269,760</u>
Total expenses	<u>\$ 1,860,731</u>	<u>\$ 324,097</u>	<u>\$ 84,932</u>	<u>\$ 2,269,760</u>

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
 Total expenses	 <u>\$ 1,962,293</u>	 <u>\$ 302,837</u>	 <u>\$ 95,091</u>	 <u>\$ 2,360,221</u>

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

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 Ropes Course has to offer.

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.

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.

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 2016 and 2015.

Inventory

Inventory consists of food used in support of RMYC's AmeriCorps 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.

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.

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 and changes in net assets 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 \$124,083 and \$10,450 in 2016 and 2015, 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.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs were \$29,975 and \$19,640 in 2016 and 2015, respectively.

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2016 and 2015

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, 2016 and 2015. 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 2016 or 2015.

Currently, RMYC's 2013, 2014, and 2015 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 2016 and 2015.

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, 2016 through December 6, 2016, 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, 2016 and 2015

NOTE 3 – PROPERTY AND EQUIPMENT

As of June 30, 2016 and 2015, property and equipment consisted of the following:

	2016	2015
Vehicles, tools and equipment	\$ 393,055	\$ 333,860
Ropes course	57,454	57,454
Furniture and fixtures	17,418	17,418
	467,927	408,732
Less accumulated depreciation	(382,049)	(369,905)
	85,878	38,827
Construction in progress	124,976	117,403
Land	262,633	262,633
Total property and equipment, net	\$ 473,487	\$ 418,863

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

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:

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

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 4 – FAIR VALUE MEASUREMENT – CONTINUED

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.

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, 2016 and 2015: Level 3 activity is as follows:

	<u>2016</u>	<u>2015</u>
Beginning balances	\$ 10,194	\$ 28,520
Interest and dividend income	-	881
Realized and unrealized losses	-	(720)
Sale of investments	<u>(10,194)</u>	<u>(18,487)</u>
Ending balances	<u>\$ -</u>	<u>\$ 10,194</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.

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 5 – ENDOWMENT – CONTINUED

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.

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, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 10,194	\$ 10,194
Sale of investments	-	-	(10,194)	(10,194)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 5 – ENDOWMENT – CONTINUED

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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	(522)	683	-	161
Sale of investments	(18,487)	-	-	(18,487)
Endowment net assets, end of year	\$ -	\$ 2,694	\$ 7,500	\$ 10,194

NOTE 6 – LINE-OF-CREDIT

In 2016, RMYC had 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 at June 30, 2016 and 2015. This line of credit was renewed for up to \$250,000 secured by real estate, with interest at 6.25% and a maturity date of June 13, 2017. The outstanding balance was zero June 30, 2016. 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. Management did not 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. Employees are 100% vested in the value of their Simple IRA plan at all times. RMYC contributed \$6,740 and \$7,966 to this plan in 2016 and 2015, respectively.

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 8 – LEASES

RMYC's current operating facility lease agreement calls for monthly payments of \$3,300 and expires October 31, 2017. RMYC is also party to two office copier leases, which expire in October 2017 and call for monthly payments of \$295 each. Total rent expense under these leases was \$50,231 and \$58,162 in 2016 and 2015, respectively.

Future minimum fiscal year lease payments are as follows:

2017	\$	43,137
2018		<u>14,084</u>
	\$	<u>57,221</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 45% and 64% in 2016 and 2015, respectively, of its gross revenues from such grants and contracts. Related receivables were approximately 100% and 99% of total receivables as of June 30, 2016 and 2015, 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, 2016 and 2015, 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, 2016

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 (2014-15)	94.006	15-631-8001-00026	\$ 136,986
AmeriCorps Formula (2015-16)	94.006	15-631-8001-00049B	<u>406,279</u>
Total NMDWS			543,265
U.S. Department of Agriculture			
Community Forestry Restoration Program	10.679	11-DG-11030200-016	18,013
Community Forestry Restoration Program	10.679	12-DG-11030200-015	<u>125,681</u>
Total Department of Agriculture			143,694
U.S. Fish and Wildlife Service			
Conservation Program	15.6756	F15AC00382	141,381
U.S. Department of the Interior:			
Bureau of Land Management			
Rio Grande del Norte Monument '15	15.225	L14AC00061-0002	17,893
Rio Grande del Norte Monument '16	15.225	L14AC00061-0004	5,716
Northern NM Youth Corps	15.225	L14AC00061-0003	<u>14,000</u>
Total U.S. Department of the Interior			37,609
National Park Service			
Bandelier Project Summer 2015	15.931	P15AC00626 (P15AC00022)	54,390
Bandelier Project Summer 2016	15.931	P15AC01677 (P15AC00022)	33,726
HOPE Preservation Project	15.931	P15AC00299 (P15AC00022)	47,265
Bandelier Project Fall 2015	15.931	P14AC01305 (P09AC00399)	<u>120,251</u>
Total National Park Service			255,632
U.S. Department of Housing and Urban Development			
Economic Development Initiative	14.251	N/A	<u>7,573</u>
Total federal expenditures			<u>\$ 1,129,154</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, 2016, 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 December 6, 2016.

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.

December 6, 2016


Pulakos CPAs, PC

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE *UNIFORM GUIDANCE***

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 Compliance Supplement* that could have a direct and material effect on each of RMYC's major federal programs for the year ended June 30, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

December 6, 2016


Pulakos CPAs, PC

Rocky Mountain Youth Corps

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2016

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 *Uniform Guidance*,
Section 200.516

_____ Yes X No

Identification of major programs:

CFDA Numbers(s)

Cluster

94.006

Name of Federal Program or

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

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

\$750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

Rocky Mountain Youth Corps

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2016

SECTION II - FINANCIAL STATEMENT AUDIT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SECTION IV - SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

NONE