

Rocky Mountain Youth Corps

FINANCIAL STATEMENTS

June 30, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018, 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 October 13, 2019, 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.

October 13, 2019


Pulakos CPAs, PC

Rocky Mountain Youth Corps

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

Assets	2019	2018
Current assets		
Cash	\$ 68,271	\$ 118,217
Grants receivable	404,508	463,517
Investments	300,000	-
Inventories	7,982	10,013
Prepaid expenses	40,791	25,276
Total current assets	821,552	617,023
Deposits	3,000	3,000
Property and equipment, net	514,132	535,196
Total assets	<u>\$ 1,338,684</u>	<u>\$ 1,155,219</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 92,742	\$ 98,988
Accrued payroll and related taxes	80,737	82,037
Deferred revenue	12	118,475
Compensated absences	16,993	18,623
Total current liabilities	190,484	318,123
Net assets		
Without donor restriction	843,050	812,096
With donor restriction	305,150	25,000
Total net assets	1,148,200	837,096
Total liabilities and net assets	<u>\$ 1,338,684</u>	<u>\$ 1,155,219</u>

Rocky Mountain Youth Corps

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
Revenues and gains and losses			
Federal and State grants and agreements	\$ 1,012,623	\$ -	\$ 1,012,623
Other grants and agreements	287,750	-	287,750
Fee for service	1,553,727	-	1,553,727
Contributions	20,029	300,000	320,029
Leadership, training fees and special events	20,796	-	20,796
Interest and investment gain	102	-	102
Miscellaneous income	899	-	899
Gain on sale of assets	2,000	-	2,000
Release from restriction	19,850	(19,850)	-
	2,917,776	280,150	3,197,926
Other support			
In-kind contributions	192,602	-	192,602
	3,110,378	280,150	3,390,528
Expenses			
Program expenses	2,587,596	-	2,587,596
General and administrative	381,914	-	381,914
Fundraising	109,914	-	109,914
	3,079,424	-	3,079,424
Change in net assets	30,954	280,150	311,104
Net assets, beginning of year	812,096	25,000	837,096
Net assets, end of year	\$ 843,050	\$ 305,150	\$ 1,148,200

Rocky Mountain Youth Corps

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2018

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Revenues and gains and losses			
Federal and State grants and agreements	\$ 1,308,158	\$ -	\$ 1,308,158
Other grants and agreements	235,397	-	235,397
Fee for service	1,158,170	-	1,158,170
Contributions	20,954	-	20,954
Leadership, training fees and special events	19,641	-	19,641
Interest and investment gain	(138)	-	(138)
Miscellaneous income	6,368	-	6,368
Gain on sale of assets	1,500	-	1,500
	<hr/>	<hr/>	<hr/>
Total revenues and gains and losses	2,750,050	-	2,750,050
Other support			
In-kind contributions	173,871	-	173,871
	<hr/>	<hr/>	<hr/>
Total revenues, gains and losses and other support	2,923,921	-	2,923,921
Expenses			
Program expenses	2,283,882	-	2,283,882
General and administrative	394,455	-	394,455
Fundraising	104,038	-	104,038
	<hr/>	<hr/>	<hr/>
Total expenses	2,782,375	-	2,782,375
Change in net assets	141,546	-	141,546
Net assets, beginning of year	<hr/> 670,550	<hr/> 25,000	<hr/> 695,550
Net assets, end of year	<u><u>\$ 812,096</u></u>	<u><u>\$ 25,000</u></u>	<u><u>\$ 837,096</u></u>

Rocky Mountain Youth Corps

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating activities		
Change in net assets	\$ 311,104	\$ 141,546
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	24,088	25,770
Gain on sale of assets	(2,000)	(1,500)
Changes in operating assets and liabilities		
Grants receivable	59,009	(123,260)
Inventories	2,031	(5,800)
Deposits	-	50
Prepaid expenses	(15,515)	(11,610)
Accounts payable	(6,246)	45,099
Accrued payroll and related taxes	(1,300)	(42,381)
Deferred revenue	(118,463)	112,158
Compensated absences	(1,630)	3,398
Net cash provided by operating activities	<u>251,078</u>	<u>143,470</u>
Investing activities		
Purchases of property and equipment	(3,024)	(87,583)
Purchases of investments	(300,000)	-
Proceeds from sale of equipment	2,000	1,500
Net cash used by investing activities	<u>(301,024)</u>	<u>(86,083)</u>
Net change in cash and cash equivalents	(49,946)	57,387
Cash and cash equivalents, beginning of year	<u>118,217</u>	<u>60,830</u>
Cash and cash equivalents, end of year	<u>\$ 68,271</u>	<u>\$ 118,217</u>

Rocky Mountain Youth Corps

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	Program Expenses	General and Administrative	Fundraising	Total Expenses
Compensation and related employee benefits	\$ 1,871,267	\$ 233,117	\$ 81,549	\$ 2,185,933
In-kind expense	192,258	344	-	192,602
Professional services	140,121	36,479	10,721	187,321
Transportation	120,807	-	-	120,807
Supplies and materials	82,340	6,724	143	89,207
Lease expense	19,238	28,252	3,152	50,642
Miscellaneous	1,235	36,715	4,384	42,334
Insurance	32,164	5,371	663	38,198
Travel	31,982	5,218	594	37,794
Training and education	26,392	488	9	26,889
Depreciation	18,911	5,104	73	24,088
Evaluation	23,908	-	-	23,908
Dues and subscriptions	7,457	8,754	581	16,792
Advertising and promotion	8,734	379	987	10,100
Telephone	2,830	6,649	-	9,479
Printing and copying	155	631	6,964	7,750
Uniforms	5,729	1,695	10	7,434
Maintenance and repairs	678	4,574	-	5,252
Utilities	1,390	1,420	84	2,894
	\$ 2,587,596	\$ 381,914	\$ 109,914	\$ 3,079,424
Total expenses	\$ 2,587,596	\$ 381,914	\$ 109,914	\$ 3,079,424

Rocky Mountain Youth Corps

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Compensation and related employee benefits	\$ 1,681,712	\$ 250,023	\$ 83,678	\$ 2,015,413
In-kind expense	172,597	1,274	-	173,871
Transportation	123,566	-	-	123,566
Supplies and materials	89,753	7,929	281	97,963
Professional services	46,557	41,543	545	88,645
Lease expense	19,018	35,518	1,152	55,688
Insurance	22,081	8,666	1,804	32,551
Training and education	25,397	2,681	217	28,295
Dues and subscriptions	13,550	11,118	1,221	25,889
Depreciation	21,066	4,539	165	25,770
Travel	20,173	4,417	506	25,096
Evaluation	23,660	-	-	23,660
Advertising and promotion	15,309	719	1,172	17,200
Miscellaneous	1,884	11,744	385	14,013
Special events	-	-	9,992	9,992
Telephone	1,933	7,901	-	9,834
Printing and copying	1,760	3,498	2,836	8,094
Maintenance and repairs	45	2,289	-	2,334
Utilities	1,381	1,411	84	2,876
Uniforms	2,440	(815)	-	1,625
	<u>2,283,882</u>	<u>394,455</u>	<u>104,038</u>	<u>2,782,375</u>
Total expenses	<u>\$ 2,283,882</u>	<u>\$ 394,455</u>	<u>\$ 104,038</u>	<u>\$ 2,782,375</u>

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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.

Prevention Program

A Taos area initiative to mitigate and prevent alcohol and drug abuse among the general population of the county and surrounding Native American Pueblos.

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.

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

Investments consist of fixed income securities with readily determinable fair values and are reported at their fair values based on quoted prices in active markets in the statement of financial position. Investment gains and losses are included in the change in net assets in the accompanying statements of activities and changes in net assets.

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 2019 and 2018, respectively.

Inventory

Inventory consists of uniforms 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.

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, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Restricted and Unrestricted Contributions

Donor-restricted contributions are reported as increases in with donor restrictions net assets, depending on the nature of the restrictions. When a restriction expires, with donor restrictions net assets are reclassified to without donor restrictions 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 without donor restrictions 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 \$192,602 and \$173,871 in 2019 and 2018, respectively. In-kind contributions consisted of donated space at various schools, donated wages for crew services, donated time for presentations and workshops, donated equipment, donated items for the annual dinner, and donated rent for the Albuquerque office.

Net Assets

The financial statements of RMYC have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), which require RMYC to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of RMYC. These net assets may be used at the discretion of the RMYC's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of RMYC or by the passage of time.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs were \$10,100 and \$17,200 in 2019 and 2018, respectively.

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. RMYC has adjusted the presentation of these statements accordingly. The pronouncement has been applied retrospectively to all periods presented.

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes

RMYC is a nonprofit charitable corporation and has been recognized as tax-exempt under Section 501(c)(3) of the Internal Revenue Code. RMYC has adopted accounting principles generally accepted in the United States of America, as they relate to uncertain tax positions, and has evaluated its tax positions taken for open tax years. Management believes that the activities of RMYC are within their tax-exempt purpose, and that there are no uncertain tax positions that require disclosure or recognition in the financial statements.

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.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

Subsequent Events

RMYC has evaluated all events occurring subsequent to June 30, 2019 through October 13, 2019, which is the date that the financial statements were issued and believes that all events occurring during this period that require either recognition or disclosure in the accompanying financial statements have been properly disclosed and recognized as applicable.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects RMYC's financial assets as June 30, 2019 and 2018 available for general expenditure within one year of the balance sheet date:

	<u>2019</u>	<u>2018</u>
Cash	\$ 68,271	\$ 118,217
Grants receivable	404,508	463,517
Investments	<u>300,000</u>	<u>-</u>
Total financial assets	772,779	581,734

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS – CONTINUED

	<u>2019</u>	<u>2018</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(305,150)</u>	<u>(25,000)</u>
Financial assets available to meet cash needs for general expenditure	<u>\$ 467,629</u>	<u>\$ 556,734</u>

RMYC manages its cash flow and liquidity on an on-going basis to ensure that sufficient funds are available to cover current operational needs. RMYC's goal is generally to maintain a level of financial assets sufficient to cover one year of operating expenses which is approximately \$576,200 and \$544,600 as of June 30, 2019 and 2018, respectively.

NOTE 4 – PROPERTY AND EQUIPMENT

As of June 30, 2019 and 2018, property and equipment consisted of the following:

	<u>2019</u>	<u>2018</u>
Vehicles, tools and equipment	\$ 350,485	\$ 361,672
Ropes course	57,454	57,454
Furniture and fixtures	<u>17,418</u>	<u>17,418</u>
	425,357	436,544
Less accumulated depreciation	<u>(392,933)</u>	<u>(383,056)</u>
	32,424	53,488
Construction in progress	219,075	219,075
Land	<u>262,633</u>	<u>262,633</u>
Total property and equipment, net	<u>\$ 514,132</u>	<u>\$ 535,196</u>

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

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 5 – FAIR VALUE MEASUREMENT

The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2019.

Description	Level 1	Level 2	Level 3	Total
Investments	\$ 300,000	\$ -	\$ -	\$ 300,000
Total assets at fair value	\$ 300,000	\$ -	\$ -	\$ 300,000

NOTE 6 – LINE-OF-CREDIT

RMYC has a revolving line-of-credit for up to \$250,000 secured by real estate, with interest at 6.75% and a maturity date of May 2020. The outstanding balance was zero at June 30, 2019 and 2018.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

	<u>2019</u>	<u>2018</u>
With donor restriction – IT infrastructure	\$ 5,150	\$ 25,000
With donor restriction – contributions	<u>300,000</u>	<u>-</u>
Total	<u>\$ 305,150</u>	<u>\$ 25,000</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restriction – IT infrastructure	<u>\$ 19,850</u>	<u>\$ -</u>

NOTE 8 – 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 \$6,248 and \$2,075 to this plan in 2019 and 2018, respectively.

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 9 – LEASES

RMYC's current operating facility lease agreement calls for monthly payments of \$3,500 and expires October 31, 2021. RMYC is also party to two office copier leases, an alarm system lease, and payroll service lease, which expire at various points from February 2020 through May 2023 and call for monthly payments ranging from \$58 to \$1,306 each. RMYC is also party to a payroll service lease on month-to-month terms with bi-weekly payments of \$319. Total rent expense under these leases was \$55,697 and \$52,306 in 2019 and 2018, respectively.

Future minimum fiscal year lease payments are as follows:

2020	\$	57,005
2021		47,359
2022		19,359
2023		<u>4,000</u>
Total	\$	<u>127,723</u>

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Grants

RMYC receives a significant portion of its revenue from grants and from contracts with federal government agencies, leaving RMYC subject to possible fluctuations resulting from changes in federal governmental funding priorities. RMYC received approximately 63% and 71% in 2019 and 2018, respectively, of its gross revenues from such grants and contracts. Related receivables were approximately 87% and 98% of total receivables as of June 30, 2019 and 2018, 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, 2019 and 2018, no amounts were due to grantor agencies as a result of these examinations.

NOTE 11 – RELATED PARTIES

During 2019 RMYC purchased fixed income securities invested through a firm operated by a member of the Board of Directors. RMYC did not pay a fee for the transaction. The value of the investment is \$300,000 as of June 30, 2019.

Rocky Mountain Youth Corps

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 12 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS - NOT-FOR-PROFIT REPORTING FRAMEWORK

A new standard has been issued by FASB that will require significant changes in the method and timing of recognition of certain contract revenues and related incremental expenses (such as sales commissions) once it becomes effective for nonpublic entities. This standard will be adopted by RMYC beginning in 2020 and will entail certain retrospective adjustments at that time. The effects of this change on RMYC's financial statements have not yet been determined.

Effective for its annual financial statements for 2021, RMYC is subject to new accounting standards issued by FASB that will require significant changes in accounting for operating leases under which RMYC is lessee. Upon adoption, among other effects, RMYC will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes will entail certain retrospective adjustments. The qualitative effects on RMYC's future financial statements of these changes and related retrospective adjustments have not yet been determined.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Rocky Mountain Youth Corps

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor 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 (2017-18)	94.006	17-631-7004-00038B	\$ 101,077
AmeriCorps Formula (2018-19)	94.006	19-631-7004-00034	410,711
AmeriCorps VetCorps (2018-19)	94.006	19-631-7004-00039	<u>68,223</u>
Total NMDWS			580,011
CNCS Disaster Response (Florida)	94.020	4399DR-FL-CNCS-01	41,798
CNCS Disaster Response (South Carolina)	94.020	4394DR-SC-CNCS-02	<u>47,996</u>
Total CNCS Disaster			<u>89,794</u>
Total U.S. Corporation for National and Community Service			669,805
U.S. Department of Agriculture			
Community Forestry Restoration Program	10.679	16-DG-11030200-016	58,153
U.S. Department of Education			
NM Division of Vocational Rehabilitation (DVR)			
– Canine Assisted	84.126A	18-644-1000-00041	61,899
U.S. Fish and Wildlife Service			
Conservation Program	15.6756	F15AC00382	203,351
Taos Pueblo Native Cutthroat Cons. Program	15.639	F19AP00177	<u>25,874</u>
Total for U.S. Fish and Wildlife Service			229,225
U.S. Department of the Interior:			
Bureau of Land Management			
Northern NM Youth Corps 2018-19	15.225	L14AC00061-0009	42,060
National Park Service			
Capulin Volcano Revegetation	15.931	P18AC01385 (P15AC00022)	24,000
American Sign Language Support 2018	15.931	P18AC00224 (P15AC00022)	37,884
Valles Caldera Thinning 2017-2018	15.931	P17AC01006 (P15AC00022)	8,774
Bandelier Preservation Project Summer 2018	15.931	P18AC00500 (P15AC00022)	57,529
Bandelier Conservation/Preservation Project 2019	15.931	P19AC00497 (P15AC00022)	53,464
American Sign Language Support 2019	15.931	P19AC00358 (P15AC00022)	17,903
Valles Caldera Thinning 2019	15.931	P19AC00410 (P15AC00022)	8,785
Salinas Pueblo Missions Nat'l Monument 2018	15.931	P18AC00619 (P15AC00022)	<u>44,445</u>
Total National Park Service			<u>252,784</u>
Total federal expenditures			<u>\$ 1,313,926</u>

Rocky Mountain Youth Corps

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of RMYC under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of RMYC, it is not intended to and does not present the financial position, changes in net assets and changes in net assets, cash flows or functional expenses of RMYC.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principals contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

RMYC has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**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, 2019, 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 October 13, 2019.

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.

October 13, 2019


Pulakos CPAs, PC

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY 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, 2019. 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, 2019.

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.

October 13, 2019


Pulakos CPAs, PC

Rocky Mountain Youth Corps

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2019

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

Name of Federal Program or

94.006

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?

X Yes _____ No

Rocky Mountain Youth Corps

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2019

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