

CONSERVATION CORPS
ST. PAUL, MINNESOTA

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017

Conservation Corps
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December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Conservation Corps
St. Paul, Minnesota

Reports on the Financial Statements

We have audited the accompanying financial statements of Conservation Corps (the Organization), a Minnesota not-for-profit corporation, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows 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.

Auditor's 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 auditor's 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 the entity'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 the entity'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

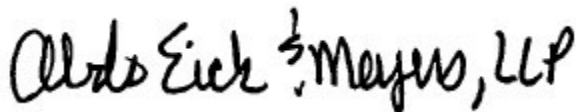
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic 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 the purposes of additional analysis and are 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 taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2019, on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
May 20, 2019

FINANCIAL STATEMENTS

Conservation Corps
Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,288,657	\$ 1,969,911
Investments	565,317	-
Accounts receivable	1,716,528	2,911,062
Grants receivable	10,006	-
Prepaid expenses	73,010	120,465
Total Current Assets	\$ 4,653,518	\$ 5,001,438
Property and Equipment		
Equipment	702,939	681,484
Leasehold improvements	1,306	1,306
Software	94,561	55,729
Less accumulated depreciation	(497,531)	(402,128)
Net Property and Equipment	301,275	336,391
Other Assets		
Deposits - lease security deposits	3,821	10,010
Total Assets	\$ 4,958,614	\$ 5,347,839
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 97,210	\$ 101,535
Accrued expenses		
Accrued payroll	105,522	111,671
Compensated absences payable	65,580	59,924
Total Liabilities	268,312	273,130
Net Assets		
Net assets without donor restrictions		
General operating	3,491,442	3,965,280
Board designated	565,317	568,054
Total net assets without donor restrictions	4,056,759	4,533,334
Net assets with donor restrictions	633,543	541,375
Total Net Assets	4,690,302	5,074,709
Total Liabilities and Net Assets	\$ 4,958,614	\$ 5,347,839

See Independent Auditor's Report and Notes to the Financial Statements.

Conservation Corps
Statements of Activities
For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Support						
Federal grants	\$ 976,459	\$ -	\$ 976,459	\$ 1,161,749	\$ -	\$ 1,161,749
State grants	-	945,000	945,000	16,653	945,000	961,653
Contributions	93,378	86,941	180,319	37,516	188,080	225,596
In-kind contributions	5,573	-	5,573	163	-	163
Total Support	<u>1,075,410</u>	<u>1,031,941</u>	<u>2,107,351</u>	<u>1,216,081</u>	<u>1,133,080</u>	<u>2,349,161</u>
Revenue						
Partner support	7,096,456	-	7,096,456	7,051,848	-	7,051,848
Net investment income (loss)	(25,176)	-	(25,176)	4,979	-	4,979
Loss on sale of assets	-	-	-	(4,713)	-	(4,713)
Miscellaneous	2,223	-	2,223	75	-	75
Total Revenue	<u>7,073,503</u>	<u>-</u>	<u>7,073,503</u>	<u>7,052,189</u>	<u>-</u>	<u>7,052,189</u>
Total Support and Revenue	<u>8,148,913</u>	<u>1,031,941</u>	<u>9,180,854</u>	<u>8,268,270</u>	<u>1,133,080</u>	<u>9,401,350</u>
Net Assets Released From Restrictions	<u>939,773</u>	<u>(939,773)</u>	<u>-</u>	<u>1,210,446</u>	<u>(1,210,446)</u>	<u>-</u>
Expenses						
Program services						
Youth programs	1,604,484	-	1,604,484	1,856,099	-	1,856,099
Field crew programs	5,623,972	-	5,623,972	6,527,537	-	6,527,537
Single placements programs	717,495	-	717,495	799,959	-	799,959
Supporting services						
Management and general	1,338,301	-	1,338,301	1,148,466	-	1,148,466
Fundraising	281,009	-	281,009	127,652	-	127,652
Total Expenses	<u>9,565,261</u>	<u>-</u>	<u>9,565,261</u>	<u>10,459,713</u>	<u>-</u>	<u>10,459,713</u>
Change In Net Assets	(476,575)	92,168	(384,407)	(980,997)	(77,366)	(1,058,363)
Beginning Net Assets	<u>4,533,334</u>	<u>541,375</u>	<u>5,074,709</u>	<u>5,514,331</u>	<u>618,741</u>	<u>6,133,072</u>
Ending Net Assets	<u>\$ 4,056,759</u>	<u>\$ 633,543</u>	<u>\$ 4,690,302</u>	<u>\$ 4,533,334</u>	<u>\$ 541,375</u>	<u>\$ 5,074,709</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Conservation Corps
Statements of Functional Expenses
For the Years Ended December 31, 2018 and 2017

	2018						
	Program Services				Supporting Services		
	Youth Programs	Field Crew Programs	Single Placements Programs	Total	Management and General	Fundraising	Total
Staff Salaries and Payroll Taxes	\$ 252,209	\$ 921,835	\$ 55,626	\$ 1,229,670	\$ 696,695	\$ 214,601	\$ 2,140,966
Staff Benefits	30,208	112,885	6,961	150,054	91,117	28,652	269,823
Corps Member Living Allowance and Payroll Taxes	737,755	2,666,140	554,950	3,958,845	-	-	3,958,845
Corps Member Benefits	19,933	137,862	10,961	168,756	-	-	168,756
Workers Compensation	16,319	120,897	18,596	155,812	14,159	-	169,971
Direct Program	192,434	541,473	21,910	755,817	446	223	756,486
Fleet, Communications, and Training	284,914	834,249	18,971	1,138,134	15,800	289	1,154,223
Insurance	12,722	27,956	6,415	47,093	10,164	-	57,257
Space Cost and Utilities	22,769	113,701	654	137,124	132,321	-	269,445
Office Supplies and Depreciation	6,919	72,054	473	79,446	41,708	1,625	122,779
Professional Fees	7,825	12,762	4,070	24,657	282,378	9,870	316,905
Marketing and Printing	387	3,358	57	3,802	5,748	7,592	17,142
Staff Travel and Meetings	7,000	27,043	2,874	36,917	30,466	1,233	68,616
Financial and Bank Fees	-	-	-	-	1,440	-	1,440
Miscellaneous Expenses	1,681	4,034	11,395	17,110	(5,312)	-	11,798
Other	11,409	27,723	3,582	42,714	21,171	16,924	80,809
Total	\$ 1,604,484	\$ 5,623,972	\$ 717,495	\$ 7,945,951	\$ 1,338,301	\$ 281,009	\$ 9,565,261
	17%	59%	8%	84%	14%	2%	100%

See Independent Auditor's Report and Notes to the Financial Statements.

Conservation Corps
Statements of Functional Expenses (Continued)
For the Years Ended December 31, 2018 and 2017

	2017						
	Program Services				Supporting Services		
	Youth Programs	Field Crew Programs	Single Placements Programs	Total	Management and General	Fundraising	Total
Staff Salaries and Payroll Taxes	\$ 456,373	\$ 1,359,153	\$ 125,151	\$ 1,940,677	\$ 213,158	\$ 58,259	\$ 2,212,094
Staff Benefits	59,348	163,802	16,806	239,956	56,874	5,735	302,565
Corps Member Living Allowance and Payroll Taxes	767,472	3,008,446	515,235	4,291,153	55,813	-	4,346,966
Corps Member Benefits	22,870	123,198	12,827	158,895	-	-	158,895
Workers Compensation	4,219	26,390	4,663	35,272	1,506	-	36,778
Direct Program	340,906	558,915	35,556	935,377	(42,769)	2,459	895,067
Fleet, Communications, and Training	99,472	971,836	48,481	1,119,789	229,987	1,048	1,350,824
Insurance	10,934	30,372	8,978	50,284	6,345	-	56,629
Space Cost and Utilities	43,741	153,753	23,683	221,177	29,336	171	250,684
Office Supplies and Depreciation	21,981	70,706	514	93,201	1,577	639	95,417
Professional Fees	10,803	1,963	-	12,766	409,551	34,129	456,446
Marketing and Printing	114	1,532	418	2,064	3,728	15,526	21,318
Staff Travel and Meetings	4,867	25,768	1,835	32,470	62,881	3,432	98,783
Financial and Bank Fees	-	-	-	-	1,431	-	1,431
Miscellaneous Expenses	69	1,374	1,380	2,823	5,319	1,283	9,425
Other	12,930	30,329	4,432	47,691	113,729	4,971	166,391
Total	\$ 1,856,099	\$ 6,527,537	\$ 799,959	\$ 9,183,595	\$ 1,148,466	\$ 127,652	\$ 10,459,713
	18%	62%	8%	88%	11%	1%	100%

See Independent Auditor's Report and Notes to the Financial Statements.

Conservation Corps
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ (384,407)	\$ (1,058,363)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	95,403	73,756
Loss on disposal of computers, furniture and equipment	-	4,713
Net depreciation in market value of investments	40,853	-
(Increase) decrease in assets:		
Accounts receivable	1,194,534	(958,787)
Grants receivable	(10,006)	-
Prepaid expenses	47,455	(62,528)
Deposits - lease security deposits	6,189	(1,000)
Increase (decrease) in liabilities:		
Accounts payable	(4,325)	12,006
Accrued payroll	(6,149)	14,396
Compensated absences payable	5,656	(4,708)
Net Cash Provided (Used) by Operating Activities	985,203	(1,980,515)
 Cash Flows from Investing Activities		
Purchase of investments	(606,170)	-
Purchase of property and equipment	(60,287)	(193,303)
Purchase of software	-	(55,729)
Proceeds from sale of assets held for use	-	46,000
Net Cash Used by Investing Activities	(666,457)	(203,032)
 Change in Cash and Cash Equivalents	318,746	(2,183,547)
 Beginning Cash and Cash Equivalents	1,969,911	4,153,458
 Ending Cash and Cash Equivalents	\$ 2,288,657	\$ 1,969,911
 Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

See Independent Auditor's Report and Notes to the Financial Statements.

Conservation Corps
Notes to the Financial Statements
December 31, 2018 and 2017

Note 1: Summary of Significant Accounting Policies

A. Nature of Activities

Conservation Corps (the Organization) provides meaningful work for young people in managing natural resources, responding to disasters, conserving energy, and leading volunteers. In addition to training in resource management, safety, job-readiness, environmental science, and technical skills, the Organization helps young people develop personal responsibility, a strong work ethic, and greater awareness of environmental stewardship.

The Organization traces its roots to the 1930s Civilian Conservation Corps, which provided natural resource jobs to unemployed young men so they could support their families during the Great Depression. Later, in the 1970s, the federal government launched the summer Youth Conservation Corps and the year-round Young Adult Conservation Corps, continuing the employment of young people in productive conservation work. When federal support for conservation corps ended in 1981, the Minnesota Conservation Corps was created by the Minnesota Legislature to offer youth and young adult programs through the Minnesota Department of Natural Resources. In 1999, the Friends of the Minnesota Conservation Corps was incorporated as a 501(c)(3) nonprofit organization by community supporters and program alumni, and the nonprofit assumed operations of the Minnesota Conservation Corps in 2003.

In January 2010, the Friends of the Minnesota Conservation Corps changed its legal name to Conservation Corps and is doing business as Conservation Corps Minnesota & Iowa to better reflect the Organization's work as it launched an AmeriCorps field crew program in Ames, Iowa. The Organization's goals are to help young people from diverse backgrounds become more connected to the environment, engaged in conservation, involved in the community and prepared for future employment through the following initiatives:

AmeriCorps opportunities for young adults, ages 18 to 25, include non-residential field crews in northern, central, and southern Minnesota and central Iowa that engage young adults in natural resource, renewable energy, and emergency response work from February to December. Home Energy Squads work year-round installing energy-saving measures such as weather-stripping and programmable thermostats in Twin Cities homes. Seasonal trail crews spike camp for eight-day stretches while they improve the trails in Superior National Forest. Individual members serve as natural resource, renewable energy and community outreach specialists at natural resource agencies and nonprofits. In 2011, the Organization launched the Conservation Apprenticeship Academy, and apprentices serve in Minnesota Soil and Water Conservation Districts over the summer.

AmeriCorps young adults are also Youth Leaders for two programs that engage teens, ages 15 to 18, in outdoor service learning:

The Organization's residential Summer Youth Corps unplugs youth from modern intrusions during two summer sessions, each four weeks long. Youth begin at a rural base camp then spike camp through the region, working in crews of six youth and two AmeriCorps leaders each as they restore natural resources.

Youth Outdoors engages diverse urban teens from low-income households in out-of-school education activities and service-learning projects during 11-week fall and spring semesters and an eight-week summer session. Youth earn a stipend while revitalizing local neighborhoods, managing natural resources, and leading volunteers.

All of the Organization's programs devote at least 15% of program time to technical-skills training, career-building skills, such as resume writing and interviewing, and educational activities focused on environmental science and technology. Using scientific inquiry and experiential learning, the Organization helps young people learn more about the world around them and to think critically about the impact of their personal choices on the environment.

Conservation Corps
Notes to the Financial Statements
December 31, 2018 and 2017

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. For the year ended December 31, 2018, the Organization adopted ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information in presents in its financial statements related to liquidity and availability of resources, expenses and investment return, and cash flows. This ASU is applied retrospectively for the year ended December 31, 2017. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Contributions received are recorded as an increase in net assets without donor restrictions or net assets with donor restrictions support depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those resources over which the Organization has discretionary control. Designated amounts represent revenues that the Board of Directors has set aside for a particular purpose.

Net Assets With Donor Restrictions

Net assets with donor restrictions are those resources subject to donor imposed restrictions, which will be satisfied by actions of the Organization or passage of time or are to be maintained in perpetuity by the Organization.

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers short-term, highly liquid investments and investments purchased with a maturity of three months or less to be cash equivalents. The Organization's cash balances held in bank depositories may exceed federally insured limits at times.

E. Investments

Investments are generally recorded at fair value based on quoted market prices, when available, or estimates of fair value. Investment income or loss and unrealized gains or losses are included in the statement of activities as increases or decreases in unrestricted net assets unless income or loss is restricted by donor or law.

F. Support and Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions and releases from restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Government grants and contracts that are considered exchange transactions are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are incurred.

Conservation Corps
Notes to the Financial Statements
December 31, 2018 and 2017

Note 1: Summary of Significant Accounting Policies (Continued)

F. Support and Revenue Recognition (Continued)

The Organization uses the allowance method to determine uncollectible contributions and grants. The allowance is based on prior years' experience and management's analysis of the outstanding receivables. The Organization does not charge interest on past due accounts. Accounts are considered past due when payment has not been received within 30 days of the due date.

Accounts receivable, which consist primarily of amounts due on fee for service contracts, are recorded when earned. The Organization extends unsecured credit in the normal course of activities. These receivables do not bear any interest on unpaid balances.

The carrying amount of accounts receivable may be reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Management considers historical write-off and recovery information in determining the estimated bad debt provision. No allowance was deemed necessary for the years ended December 31, 2018 and 2017.

G. Property and Equipment

Expenditures for the acquisition of property and equipment greater than \$1,000 are capitalized at cost and donated property and equipment are capitalized at fair value. Depreciation is computed on the straight-line method over the following useful lives:

<u>Type of Equipment</u>	<u>Useful Life</u>
Boats and Trailers	10 years
Water Pumps	10 years
Computer Equipment	3 - 5 years
ATVs and Snowmobiles	5 years
Leasehold Improvements	5 years

Upon retirement or other disposition, the cost and related accumulated depreciation of disposed assets are removed from the accounts and the resulting gain or loss is recognized in income. Repairs and maintenance are charged to expense as incurred. Renewals and improvements that extend the useful lives of assets are capitalized and depreciated over future periods.

For the years ended December 31, 2018 and 2017, depreciation expense was \$95,403 and \$73,756, respectively.

H. Donated Services, Materials and Equipment

Contributions of materials and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the use of the donated asset to a specific purpose. For the years ended December 31, 2018 and 2017, contributions of material and equipment were recognized in the amount of \$5,573 and \$163, respectively.

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. For the years ended December 31, 2018 and 2017, donated services were recognized in the amount of \$0.

Property, services, and other non-cash donations are recorded as in-kind contributions at their estimated market value at the date of donation.

Conservation Corps
Notes to the Financial Statements
December 31, 2018 and 2017

Note 1: Summary of Significant Accounting Policies (Continued)

I. Functional Expenses Allocation

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of activities. Costs that can be identified with specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated to program services and supporting services. Program services are broken out for youth programs, field crew programs and single placement programs and supporting services are broken out for management and general and fundraising.

J. Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a).

The Organization undergoes an annual analysis of its various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities. During the years ended December 31, 2018 and 2017, the Organization has not incurred any interest or penalties on its tax returns. The Organization's tax returns are subject to possible examination by the taxing authorities. For federal tax purposes the tax returns essentially remain open for possible examination for period of three years after the date on which those returns are filed.

K. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 20, 2019, the date the financial statements were available to be issued.

Note 2: Fair Value Investments

The Organization has adopted ASC Topic 820, *Fair Value Measurements and Disclosures*. ASC Topic 820 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. It emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that the market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value, as follows:

- Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.
- Level 2 - Inputs that included quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.
- Level 3 - Inputs that are unobservable inputs for the assets or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls into is based on the lowest level input that is significant to the fair value measurement in its entity.

The Organization also has adopted ASC Topic 825, *Financial Instruments*. ASC Topic 825 allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities that are not otherwise required to be stated at fair value, on a contract-by-contract basis. The Organization has not elected to change the measurement of any existing financial instruments at fair value. However, the Organization may elect to measure newly acquired financial instruments at fair value in the future.

Conservation Corps
Notes to the Financial Statements
December 31, 2018 and 2017

Note 2: Fair Value Investments (Continued)

Financial assets recorded at fair value on a recurring basis are as follows:

	Level 1	Level 2	Level 3
2018:			
Mutual Funds	\$ 565,317	\$ -	\$ -
2017:			
Mutual Funds	\$ -	\$ -	\$ -

Note 3: Conservation Corps Transfer

Effective July 1, 2003, the Legislature of the State of Minnesota transferred the Conservation Corps out of the Minnesota Department of Natural Resources (DNR) to Conservation Corps. The State transferred the entity to ensure the continued operation of the Conservation Corps and the ability to contract its services.

Pursuant to the transfer, the Organization contracted with the State of Minnesota through the Commissioner of DNR a joint powers agreement. The agreement allows the Organization to utilize office space, computer networks and programs, telephone systems, fleet, and radio equipment of the DNR. The Organization is also granted rights to purchase or lease equipment and services through State contracts and to participate in certain State programs. The rates charged to the Organization are based on usage and are consistent with those charged within the DNR and the State of Minnesota. Expenses incurred for the use and access to the equipment and services were \$153,345 and \$199,055 for the years ended December 31, 2018 and 2017, respectively.

The agreement has been renewed multiple times and the current agreement expires on June 30, 2019.

The joint powers agreement also identifies appropriations to the Organization out of the State's general and natural resources fund in equal amounts for the State's fiscal years 2018 and 2017. The funds remaining are appropriated to the Organization in 2018 and 2017 for the following purposes:

	2018	2017
General Operations	\$ 227,500	\$ 227,500
Natural Resources Project Funds		
All-terrain vehicle trails	43,656	14,319
Aquatic invasives	5,839	9,208
Forestry	40,446	27,682
Snowmobile trails and enforcement	61,331	48,369
State parks	21,336	-
State trails	6,322	-
Water recreation	53,026	34,873
Off-highway motorcycle	11,605	11,360
Off-road vehicle	66,838	47,318
Parks and horse trails	8,703	5,166
Total	\$ 546,602	\$ 425,795

Conservation Corps
Notes to the Financial Statements
December 31, 2018 and 2017

Note 4: Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2018 and 2017:

	2018	2017
General Operations	\$ 227,500	\$ 227,500
Natural Resource Project Funds		
All-terrain vehicle trails	43,656	14,319
Aquatic invasives	5,839	9,208
Forestry	40,446	27,682
Snowmobile trails	61,331	48,369
State parks	21,336	-
State trails	6,322	-
Water recreation	53,026	34,873
Off-highway motorcycle	11,605	11,360
Off-road vehicle	66,838	47,318
Cross country ski	-	-
Parks and horse trails	8,703	5,166
Programs		
Betty A Lewis University Environmental Charitable Trust	5,941	5,700
Boston Scientific Foundation	11,000	-
ERM Group Foundation	5,000	-
F. R. Bigelow Foundation	-	20,000
Fred C. & Katherine B. Andersen Foundation	30,000	30,000
George Family Foundation	10,000	-
Mardag Foundation	-	10,000
McNeely Foundation	10,000	-
Otto Bremer Trust	-	30,000
The North Face Explore Fund	-	10,000
Wells Fargo Foundation	15,000	9,880
	\$ 633,543	\$ 541,375
Total		

Conservation Corps
Notes to the Financial Statements
December 31, 2018 and 2017

Note 4: Net Assets With Donor Restrictions (Continued)

Net assets released from restrictions during the years ended December 31, 2018 and 2017 were comprised of the following:

	2018	2017
General Operations	\$ 455,000	\$ 455,000
Natural Resource Project Funds		
All-terrain vehicle trails	20,663	55,313
Forestry	37,236	68,658
Moto	9,755	6,720
Snowmobile trails	62,038	84,312
State parks	128,664	187,162
State trails	18,678	48,950
Water recreation	31,847	57,639
Aquatic invasives	28,369	40,792
Off-road vehicle	10,480	12,682
Cross country ski	15,000	16,317
Parks and horse trails	6,463	13,874
Programs		
Andersen Corporate Foundation	-	6,000
Bush Foundation	-	33,750
Betty A Lewis University Environmental Charitable Trust	5,700	5,943
Carl and Verna Schmidt Foundation	-	10,000
Enterprise Holdings Foundation	-	4,000
ERM Group Foundation	-	2,500
F. R. Bigelow Foundation	20,000	12,500
Fred C. & Katherine B. Andersen Foundation	30,000	30,000
Lloyd K. Johnson Foundation	-	5,000
Mardag Foundation	10,000	
McNeely Foundation	-	28,334
Otto Bremer Trust	30,000	-
The North Face Explore Fund	10,000	
Wells Fargo Foundation	9,880	-
Greater Twin Cities United Way	-	25,000
	<u>\$ 939,773</u>	<u>\$ 1,210,446</u>
Total	<u>\$ 939,773</u>	<u>\$ 1,210,446</u>

Conservation Corps
Notes to the Financial Statements
December 31, 2018 and 2017

Note 5: Operating Leases

The Organization leases vehicles, facilities and office space under lease and sublease agreements expiring through March 2022. The leases are subject to cancellation by either party with proper notice as specified in the agreements. Rent expense under these and other lease agreements amounted to \$1,066,949 and \$1,131,597 for the years ended December 31, 2018 and 2017, respectively.

Future minimum lease payments are as follows:

Years Ending December 31,	Amount
2019	\$ 812,989
2020	649,866
2021	406,608
2022	243,829
2023	96,051
Total	\$ 2,209,343

Note 6: Concentration

Substantially all support is received in the form of grants and contracts; therefore, the Organization is dependent upon future funding. The Organization receives grants and revenue from a few significant grantors. The Organization encounters a certain amount of credit risk as the result of a concentration of revenues from, and receivables from a few significant sources. A significant reduction in the level of support from these entities may have an impact on the Organization's ability to continue its programs and services.

Note 7: Retirement Plans

Effective January 15, 2009, the Organization adopted a Safe Harbor Retirement Savings Plan under section 401(k) of the Internal Revenue Code. The Plan provides an "enhanced safe harbor" employer must match under the following formula for eligible employees:

Employee Deferral	Employer Match
1%	2%
2%	4%

For the years ended December 31, 2018 and 2017, the Organization's contributions were \$71,727 and \$74,290, respectively.

Conservation Corps
Notes to the Financial Statements
December 31, 2018 and 2017

Note 8: Liquidity and Availability

The following table reflects the financial assets available for general expenditure, that is, assets without donor or other restrictions limiting their use, and available within one year of the balance sheet date:

Cash and Cash Equivalents	\$ 2,288,657
Accounts Receivable	1,716,528
Investments	565,317
Grants Receivable	10,006
Total Financial Assets	4,580,508
Less financial assets unavailable for general expenditure within one year, due to:	
Board designations	(565,317)
Donor-imposed restrictions	(633,543)
	(1,198,860)
Financial assets available to meet general expenditures within one year	\$ 3,381,648

The Organization also receives significant grants restricted by the grantors, and considers grants restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets at a minimum of 30 days operating expenses. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

The board has designated a portion of its unrestricted resources for a general usage reserve fund. These funds can be made available to meet operating needs if necessary. The purpose of the fund is to cover expenses related to new program startups, short term cash flow needs related to timing of receivables, sudden increase in expenses, loss of large project partner, and other cash needs as deemed necessary by the board.

To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity on an ongoing basis, and the board designated reserve is reevaluated annually. During the year ended December 31, 2018, the level of liquidity and reserves was managed within the policy requirements. At December 31, 2018, the Organization had approximately 130 days of financial assets available to meet cash needs for general expenditures.

Note 9: Subsequent Event

Lease

During the first two months of 2019, the Organization entered into four vehicle lease agreements with enterprise. As a result of the new leases, the Organization returned some prior leases early.

The future minimum lease payments for the new agreement are as follows:

Years Ending December 31,	Amount
2019	\$ 23,403
2020	26,226
2021	26,226
2022	26,226
2023	26,226
	(128,307)
Total	\$ 128,307

OTHER REPORTS



INDEPENDENT AUDITOR'S 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
Conservation Corps
St. Paul, Minnesota

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 Conservation Corps (the Organization), a Minnesota not-for-profit corporation, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 20, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

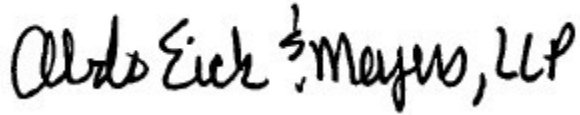
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 the Organization's financial statements are free of 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

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



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
May 20, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY *THE UNIFORM GUIDANCE*

Board of Directors
Conservation Corps
St. Paul, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Conservation Corps' (the Organization), a Minnesota not-for-profit corporation, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2018. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost of 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 on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization'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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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 December 31, 2018.

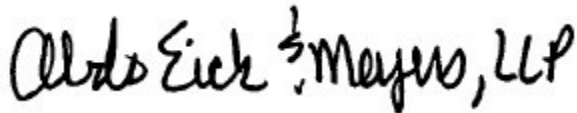
Report on Internal Control over Compliance

Management of the Organization 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 the Organization'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 the Organization'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.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
May 20, 2019

Conservation Corps
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Grantor/Program Title Pass-through Grantor/Pass-through Entity Identifying Number	Federal Domestic Assistance Number	Direct Federal Expenditures	Pass- Through Federal Expenditures	Federal Expenditures
Corporation for National and Community Service:				
AmeriCorps				
Corporation for National and Community Service	94.006	\$ 325,483	\$ -	\$ 325,483
ServeMinnesota / 12ACHMN0010004-15	94.006	-	489,096	489,096
Iowa Commission for Volunteer Services / 17-CX-02-1.1	94.006	-	161,880	161,880
<i>Total Corporation for National and Community Service:</i>		<u>325,483</u>	<u>650,976</u>	<u>976,459</u>
Total Federal Expenditures		<u>\$ 325,483</u>	<u>\$ 650,976</u>	<u>\$ 976,459</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

Conservation Corps
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Organization under programs of the federal government for the year ended December 31, 2018. The information in the Schedule is presented in accordance with the requirement of the Uniform Guidance. Because the schedule presents only a selected portion of operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

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 principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Pass-through Entity Identifying Numbers

Pass-through entity identifying numbers are presented for pass-through grants where available.

Note 4: Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect Cost Rate

During the year ended December 31, 2018, the Organization did not elect to use the 10% de minimis indirect cost rate.

Conservation Corps
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance?	No

Identification of Major Programs/Projects

	CFDA No.
AmeriCorps	94.006
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

There are no significant deficiencies, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

Section III - Major Federal Award Findings and Questioned Costs

There are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with Uniform Guidance.

Other Issues

A Corrective Action Plan is not required because there were no current year findings required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance.

Conservation Corps
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2018

2017-001 Material Weakness in Internal Controls over Financial Reporting

Condition:

During our 2017 audit procedures over accounts receivable and inquiry of the Organization, the accounting staff provided additional revenue and accounts receivable that were material to the financial statements and an audit adjustment was proposed by the auditors and made by the Organization.

Recommendation:

We recommend the Organization review their Financial Policies Manual, specifically around the areas of interim and year end financial close processes, and that they address and resolve gaps around the cutoff assertion to ensure all accounting transactions are properly recorded in the correct period.

Current Status:

The finding was resolved by management in 2018. This shortcoming/deficiency was identified by management during 2017 and a new accounting system and procedures were implemented 2018. No similar findings were noted during the 2018 audit.