Financial Statements

Conservation Corps

St. Paul, Minnesota

For the Years Ended
December 31, 2019 and 2018

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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, 2019 and 2018, 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, 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.

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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 June 21, 2020, 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

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
June 21, 2020

People + Process. Going Beyond the Numbers

FINANCIAL STATEMENTS

Conservation Corps

Statements of Financial Position

December 31, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	$ 2,239,200	$ 2,288,657
Investments	653,438	565,317
Accounts receivable	1,172,942	1,716,528
Grants receivable	197,120	10,006
Prepaid expenses	188,728	73,010
Total Current Assets	4,451,428	4,653,518
Property and Equipment		
Equipment	738,034	702,939
Leasehold improvements	1,306	1,306
Software	94,561	94,561
Less accumulated depreciation	(584,751)	(497,531)
Net Property and Equipment	249,150	301,275
Deposits - lease security deposits	3,821	3,821
Total Assets	$ 4,704,399	$ 4,958,614
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 77,915	$ 97,210
Accrued expenses		
Accrued payroll	93,376	105,522
Compensated absences payable	66,420	65,580
Total Liabilities	237,711	268,312
Net Assets		
Net assets without donor restrictions		
General operating	3,136,092	3,491,442
Board designated	653,438	565,317
Total net assets without donor restrictions	3,789,530	4,056,759
Net assets with donor restrictions	677,158	633,543
Total Net Assets	4,466,688	4,690,302
Total Liabilities and Net Assets	$ 4,704,399	$ 4,958,614

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

Conservation Corps

Statements of Activities

For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Support						
Federal grants	$ 1,249,068	$ -	$ 1,249,068	$ 976,459	$ -	$ 976,459
State grants	88,415	945,000	1,033,415	-	945,000	945,000
Contributions	159,771	101,157	260,928	93,378	86,941	180,319
In-kind contributions	3,880		3,880	5,573	-	5,573
Total Support	1,501,134	1,046,157	2,547,291	1,075,410	1,031,941	2,107,351
Revenue						
Partner support	5,774,172	-	5,774,172	7,096,456	-	7,096,456
Net investment income (loss)	101,133	-	101,133	(25,176)	-	(25,176)
Miscellaneous	4,445	-	4,445	2,223	-	2,223
Total Revenue	5,879,750	-	5,879,750	7,073,503	-	7,073,503
Net Assets Released From Restrictions	1,002,542	(1,002,542)	-	939,773	(939,773)	-
Total Support and Revenue	8,383,426	43,615	8,427,041	9,088,686	92,168	9,180,854
Expenses						
Program services						
Youth programs	1,618,213	-	1,618,213	1,604,484	-	1,604,484
Field crew programs	4,909,620	-	4,909,620	5,623,972	-	5,623,972
Single placements programs	530,128	-	530,128	717,495	-	717,495
Supporting services						
Management and general	1,483,593	-	1,483,593	1,338,301	-	1,338,301
Fundraising	109,101	-	109,101	281,009	-	281,009
Total Expenses	8,650,655	-	8,650,655	9,565,261	-	9,565,261
Change In Net Assets	(267,229)	43,615	(223,614)	(476,575)	92,168	(384,407)
Beginning Net Assets	4,056,759	633,543	4,690,302	4,533,334	541,375	5,074,709
Ending Net Assets	$ 3,789,530	$ 677,158	$ 4,466,688	$ 4,056,759	$ 633,543	$ 4,690,302

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

Conservation Corps

Statements of Functional Expenses

For the Years Ended December 31, 2019 and 2018

	2019						
	Program Services				Supporting Services		
	Youth Programs	Field Crew Programs	Single Placements Programs	Total	Management and General	Fundraising	Total
Staff Salaries and Payroll Taxes	$ 347,227	$ 988,944	$ 109,351	$ 1,445,522	$ 768,218	$ 74,070	$ 2,287,810
Staff Benefits	48,278	144,650	16,208	209,136	111,855	10,978	331,969
Corps Member Living Allowance and Payroll Taxes	734,019	2,147,964	334,668	3,216,651	8,645	-	3,225,296
Corps Member Benefits	16,201	99,183	6,863	122,247	-	-	122,247
Workers Compensation	9,624	87,679	15,883	113,186	2,603	-	115,789
Direct Program	148,578	420,878	12,123	581,579	171	-	581,750
Fleet, Communications and Training	245,520	759,136	21,928	1,026,584	28,710	-	1,055,294
Insurance	2,835	6,228	1,008	10,071	55,062	-	65,133
Space Cost and Utilities	35,156	137,051	242	172,449	135,058	-	307,507
Office Supplies and Depreciation	9,447	64,683	1,230	75,360	46,992	506	122,858
Professional Fees	7,554	16,517	5,281	29,352	234,753	9,646	273,751
Marketing and Printing	1,203	230	261	1,694	9,441	8,246	19,381
Staff Travel and Meetings	2,315	8,936	1,456	12,707	22,333	15	35,055
Financial and Bank Fees	-	-	-	-	2,030	-	2,030
Miscellaneous	1,301	18	-	1,319	11,635	5,550	18,504
Other	8,955	27,523	3,626	40,104	46,087	90	86,281
Total	$ 1,618,213	$ 4,909,620	$ 530,128	$ 7,057,961	$ 1,483,593	$ 109,101	$ 8,650,655
	19%	57%	6%	82%	17%	1%	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, 2019 and 2018

	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	31,928	289	1,170,351
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	5,459	7,592	16,853
Staff Travel and Meetings	7,000	27,043	2,874	36,917	14,627	1,233	52,777
Financial and Bank Fees	-	-	-	-	1,440	-	1,440
Miscellaneous	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 Cash Flows

For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ (223,614)	$ (384,407)
Adjustment to reconcile change in net assets		
to net cash provided (used) by operating activities:		
Net realized and unrealized investment losses (gains)	(88,121)	-
(Gain) loss on disposal of property and equipment	(3,435)	-
Depreciation	98,120	95,403
Net depreciation in market value of investments	-	40,853
(Increase) decrease in assets:		
Accounts receivable	543,586	1,194,534
Grants receivable	(187,114)	(10,006)
Prepaid expenses	(115,718)	47,455
Deposits - lease security deposits	-	6,189
Increase (decrease) in liabilities:		
Accounts payable	(19,295)	(4,325)
Accrued payroll	(12,146)	(6,149)
Compensated absences payable	840	5,656
Net Cash Provided (Used) by Operating Activities	(6,897)	985,203
Cash Flows from Investing Activities		
Purchase of investments	-	(606,170)
Purchase of property and equipment	(44,785)	(60,287)
Proceeds from sale of assets	2,225	-
Net Cash Used by Investing Activities	(42,560)	(666,457)
Change in Cash and Cash Equivalents	(49,457)	318,746
Beginning Cash and Cash Equivalents	2,288,657	1,969,911
Ending Cash and Cash Equivalents	$ 2,239,200	$ 2,288,657
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.

Note 1: Summary of Significant Accounting Policies

A. Nature of Activities

Conservation Corps Minnesota & Iowa (the Organization), a 501(c)(3) nonprofit organization, engages youth and young adults in meaningful service, leadership development and environmental stewardship. Serving nearly 500 youth (ages 15-18) and young adults (ages 18-25) each year, the organization provides training in natural resource management and technical skills, safety and job readiness while helping young people develop personal responsibility and a strong work ethic, better equipped to succeed in career and life. The organization works primarily with federal, state, and local agencies and non-profit partners fulfilling natural resource projects to improve access to outdoor recreation, restore habitat on public lands, protects waterways and wetlands, and respond to natural disasters.

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 Field Crew opportunities for young adults, ages 18-25, including non-residential crews in northern, central, and southern Minnesota and central Iowa that engage young adults in natural resource management and disaster response work from February to December. Season trail crews spike camp for week-long stretches while they improve the trails in Northern forests and state and national parks. AmeriCorps members receive a monthly stipend, health insurance, and an education award for college expenses. Beside career and work-skills training, members receive certifications in wildfire suppression, defensive driving, chainsaw safety and first aid.

AmeriCorps Single Placement opportunities for young adults, ages 18-25, serving as natural resource and community outreach specialists at natural resource agencies and nonprofit organizations, from February to December. In addition, the organization's Conservation Apprentice Academy provides AmeriCorps member apprentices with service opportunities at Minnesota Soil and Water Conservation Districts over the summer. Single Placement AmeriCorps members receive a monthly stipend, health insurance, and an education award for college expenses.

Youth Outdoors, an afterschool service-learning program for Twin Cities youth, serves predominantly youth, ages 15-18, from low-in households, and engages young adult AmeriCorps members (18-24) as youth leaders. Youth participate for one academic semester at a time, meeting two days a week after school and on Saturdays to explore science and the environment and complete projects to improve local public parks, and restore natural resources and native habitat. Summer opportunities are also available.

Summer Youth Corps residential program serves youth, ages 15-18, and engages young adult AmeriCorps members (18-24) as youth leaders, in environmental restoration field crew-oriented work in national and state forests during two summer sessions (of 4 weeks each) or one eight-week session. Participants receive a living stipend as well as room and board. Youth begin at a base camp, then "spike camp" throughout the region as they work. AmeriCorps members, serving as Youth Leaders at the residential program, receive a monthly stipend, health insurance, and an education award for college expenses.

Note 1: Summary of Significant Accounting Policies (Continued)

A. Nature of Activities (Continued)

Increasing Diversity in Environmental Careers (IDEC) engages college students pursuing STEM degrees who are interested in a career in natural resources. Through partnership between the Conservation Corps, the Minnesota Pollution Control Agency, the Minnesota Board of Water and Soil Resources and the Minnesota Department of Natural Resources, students participate in fellowships, are assigned mentors, and recruited for paid internships. The program specifically seeks to engage students from backgrounds typically underrepresented in natural resource careers, including women, people of color, and individuals with disabilities. Participants receive a fellowship payment to support academic expenses for the school year.

All 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.

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. 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:

<u>Net Assets Without Donor Restrictions</u>

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.

<u>Net Assets With Donor Restrictions</u>

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 for 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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, 2019 and 2018.

Under an agreement with the MN DNR, a portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization was awarded a cost-reimbursable grant of $490,000 that has not been fully recognized at December 31, 2019. See note 8 for related contract balances.

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:

Type of Equipment	Useful Life
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, 2019 and 2018, depreciation expense was $98,120 and $95,403, respectively.

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2019 and 2018, contributions of material and equipment were recognized in the amount of $3,880 and $5,573, respectively. Property, services, and other non-cash donations are recorded as in-kind contributions at their estimated market value at the date of donation.

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, 2019 and 2018, 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. New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09) as a new Topic, Accounting Standards Codification *Topic 606*. The amendments are intended to provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices and improve disclosure requirements. In August 2015, the FASB issued ASU No. 2015- 14, *Revenue from Contracts with Customers: Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09 by one year. This ASU is effective for annual reporting periods beginning after December 15, 2017, and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is permitted. The new guidance is effective for the Organization in 2018. The Organization is currently evaluating the impact on the results of operations, financial condition and cash flows and has not determined the impact on its financial statements at this time.

L. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 21, 2020, the date the financial statements were available to be issued.

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Organization is unable to determine if it will have a material impact to its operations.

In result, the Organization entered into a promissory note agreement with Bremer bank in the amount of $1,144,600 pursuant to the Paycheck Protection Program (PPP) created by the Coronavirus Aid, Relief, and Economic security Act (CARES Act) and governed by the Small Business Administration (SBA). The note accrues interest at 1 percent per annum and is scheduled to mature April 2022. Up to 100 percent of the loan is forgivable when used to pay specified payroll and other costs within eight weeks of receiving the funding, however, not more than 25 percent of the forgiveness amount can be attributable to non-payroll costs.

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.

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

	Level 1	Level 2	Level 3
2019:			
Mutual Funds	$ 653,438	$ -	$ -
2018:			
Mutual Funds	$ 565,317	$ -	$ -

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 $217,084 and $162,602 for the years ended December 31, 2019 and 2018, respectively.

The agreement has been renewed multiple times and the current agreement expires on June 30, 2021.

Note 3: Conservation Corps Transfer (Continued)

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 2019 and 2018. The funds remaining are appropriated to the Organization in 2019 and 2018 for the following purposes:

	2019	2018
General Operations	$ 227,500	$ 227,500
Natural Resources Project Funds		
All-terrain vehicle trails	58,875	43,656
Aquatic invasives	30,839	5,839
Forestry	50,000	40,446
Snowmobile trails and enforcement	53,885	61,331
State parks	9,382	21,336
State trails	4,998	6,322
Water recreation	49,175	53,026
Off-highway motorcycle	11,556	11,605
Off-road vehicle	94,771	66,838
Cross country ski	5,663	-
Parks and horse trails	5,096	8,703
Total	$ 601,740	$ 546,602

Note 4: 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 $956,178 and $1,066,949 for the years ended December 31, 2019 and 2018, respectively.

Future minimum lease payments are as follows:

Years Ending December 31,	Amount
2020	$ 238,381
2021	191,530
2022	157,102
2023	57,752
2024	24,894
Total	$ 669,659

Note 5: 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 6: 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, 2019 and 2018, the Organization’s contributions were $80,301 and $71,727, respectively.

Note 7: Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2019 and 2018:

	2019	2018
General Operations	$ 227,500	$ 227,500
Natural Resource Project Funds		
All-terrain vehicle trails	58,875	43,656
Aquatic invasives	30,839	5,839
Forestry	50,000	40,446
Snowmobile trails	53,885	61,331
State parks	9,382	21,336
State trails	4,998	6,322
Water recreation	49,175	53,026
Off-highway motorcycle	11,556	11,605
Off-road vehicle	94,032	66,838
Cross country ski	5,663	-
Parks and horse trails	5,096	8,703
Programs		
Betty A Lewis University Environmental Charitable Trust	6,157	5,941
Boston Scientific Foundation	-	11,000
ERM Group Foundation	-	5,000
Fred C. & Katherine B. Andersen Foundation	30,000	30,000
George Family Foundation	10,000	10,000
McNeely Foundation	-	10,000
Otto Bremer Trust	25,000	-
The North Face Explore Fund	5,000	-
Wells Fargo Foundation	-	15,000
Total	$ 677,158	$ 633,543

Note 7: Net Assets With Donor Restrictions (Continued)

Net assets released from restrictions during the years ended December 31, 2019 and 2018 were comprised of the following:

	2019	2018
General Operations	$ 455,000	$ 455,000
Natural Resource Project Funds		
All-terrain vehicle trails	34,781	20,663
Forestry	40,446	37,236
Moto	-	9,755
Snowmobile trails	82,446	62,038
State parks	162,693	128,664
State trails	26,324	18,678
Water recreation	53,851	31,847
Aquatic invasives	-	28,369
Off-highway motorcycle	2,067	10,480
Off-road vehicle	10,049	
Cross country ski	9,337	15,000
Parks and horse trails	13,607	6,463
Programs		
Betty A Lewis University Environmental Charitable Trust	5,941	5,700
Boston Scientific Foundation	11,000	-
George Family Foundation	20,000	-
ERM Group Foundation	5,000	-
F. R. Bigelow Foundation	-	20,000
Fred C. & Katherine B. Andersen Foundation	30,000	30,000
Mardag Foundation	-	10,000
McNeely Foundation	10,000	-
Otto Bremer Trust	10,000	30,000
The North Face Explore Fund	5,000	10,000
Wells Fargo Foundation	15,000	9,880
Total	$ 1,002,542	$ 939,773

Note 8: Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable on the Statement of Financial Position. Amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., quarterly or monthly) or upon achievement of contractual milestones. Generally, billing occurs subsequent to revenue recognition, resulting in contract assets. The Organization had contract receivable balances of $1,124,942 and $1,480,961 for the years ended December 31, 2019 and 2018, respectively.

Note 9: 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:

	2019	2018
Cash and cash equivalents	$ 2,239,200	$ 2,288,657
Accounts receivable	1,172,942	1,716,528
Investments	653,438	565,317
Grants receivable	197,120	10,006
Total Financial Assets	4,262,700	4,580,508
Less financial assets unavailable for general expenditure within one year, due to:		
Board designations	(653,438)	(565,317)
Donor-imposed restrictions	(449,658)	(633,543)
Financial assets available to meet general expenditures within one year	$ 3,159,604	$ 3,381,648

The Organization also receives significant federal and state grants and philanthropic gifts 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. Due to significant seasonality in the nature of the Organization's programs and business operations, 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, to allow for seasonal adjustments due to wide seasonal variances in revenue and cash flow between winter and summer. Financial assets in excess 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, 2019, the level of liquidity and reserves was managed within the policy requirements. At December 31, 2019, the Organization had approximately 130 days of financial assets available to meet cash needs for general expenditures.

OTHER REPORTS

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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, 2019, 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 June 21, 2020.

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.*

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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

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
June 21, 2020

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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, 2019. 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, 2019.

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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

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
June 21, 2020

Conservation Corps

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2019

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	$ 634,407	$ -	$ 634,407
ServeMinnesota / 14ESHMN0010004-18SF	94.006	-	479,497	479,497
Iowa Commission for Volunteer Services / 18-CX-02-1.1	94.006	-	130,208	130,208
Total AmeriCorps		634,407	609,705	1,244,112
Training and Technical Assistance				
Corporation for National and Community Service	94.009	4,091	-	4,091
Iowa Commission for Volunteer Services / 18-BC-02	94.009	-	865	865
Total Training and Technical Assistance		4,091	865	4,956
Total Federal Expenditures		$ 638,498	$ 610,570	$ 1,249,068

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

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, 2019. 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, 2019, 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, 2019

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?	Yes

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.

Section IV - Schedule of Prior Year Audit Findings

The Summary Schedule of Prior Audit Findings is not included in this report because there were no prior audit findings related to federal award programs.

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.