

CONSERVATION CORPS
ST. PAUL, MINNESOTA

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016

Conservation Corps
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December 31, 2017 and 2016

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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, 2017 and 2016, 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

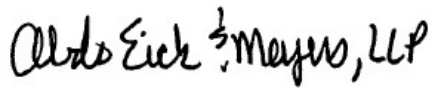
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally 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 31, 2018, 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 31, 2018

FINANCIAL STATEMENTS

Conservation Corps
Statements of Financial Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,969,911	\$ 4,153,458
Accounts receivable	2,911,062	1,952,275
Prepaid expenses	<u>120,465</u>	<u>57,937</u>
Total Current Assets	<u>5,001,438</u>	<u>6,163,670</u>
Property and Equipment		
Equipment	681,484	568,433
Leasehold improvements	1,306	-
Less accumulated depreciation	<u>(402,128)</u>	<u>(356,605)</u>
Net Property and Equipment	<u>280,662</u>	<u>211,828</u>
Other Assets		
Deposits - lease security deposits	10,010	9,010
Software - not in service	<u>55,729</u>	<u>-</u>
Total Other Assets	<u>65,739</u>	<u>9,010</u>
Total Assets	<u><u>\$ 5,347,839</u></u>	<u><u>\$ 6,384,508</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 101,535	\$ 89,529
Accrued expenses		
Accrued payroll	111,671	97,275
Compensated absences payable	<u>59,924</u>	<u>64,632</u>
Total Current Liabilities	<u>273,130</u>	<u>251,436</u>
Net Assets		
Unrestricted Net Assets		
Unrestricted, general operating	3,965,280	4,946,277
Unrestricted, board designated	<u>568,054</u>	<u>568,054</u>
Total Unrestricted Net Assets	<u>4,533,334</u>	<u>5,514,331</u>
Temporarily Restricted Net Assets	<u>541,375</u>	<u>618,741</u>
Total Net Assets	<u>5,074,709</u>	<u>6,133,072</u>
Total Liabilities and Net Assets	<u><u>\$ 5,347,839</u></u>	<u><u>\$ 6,384,508</u></u>

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

Conservation Corps
Statements of Activities
For the Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Support						
Federal grants	\$ 1,161,749	\$ -	\$ 1,161,749	\$ 863,144	\$ -	\$ 863,144
State grants	16,653	945,000	961,653	242,694	945,000	1,187,694
Contributions	37,516	188,080	225,596	92,255	153,777	246,032
In-kind contributions	163	-	163	33,452	-	33,452
Total support	<u>1,216,081</u>	<u>1,133,080</u>	<u>2,349,161</u>	<u>1,231,545</u>	<u>1,098,777</u>	<u>2,330,322</u>
Revenue						
Partner support	7,051,848	-	7,051,848	6,960,548	-	6,960,548
Interest	4,979	-	4,979	4,401	-	4,401
Loss on sale of assets	(4,713)	-	(4,713)	-	-	-
Miscellaneous	75	-	75	1,784	-	1,784
Total revenue	<u>7,052,189</u>	<u>-</u>	<u>7,052,189</u>	<u>6,966,733</u>	<u>-</u>	<u>6,966,733</u>
Total Support and Revenue	<u>8,268,270</u>	<u>1,133,080</u>	<u>9,401,350</u>	<u>8,198,278</u>	<u>1,098,777</u>	<u>9,297,055</u>
Net Assets Released From Restrictions	<u>1,210,446</u>	<u>(1,210,446)</u>	<u>-</u>	<u>1,063,608</u>	<u>(1,063,608)</u>	<u>-</u>
Expenses						
Program services						
Youth programs	1,856,099	-	1,856,099	1,632,864	-	1,632,864
Field crew programs	6,527,537	-	6,527,537	5,600,795	-	5,600,795
Single placements programs	799,959	-	799,959	712,836	-	712,836
Supporting services						
Management and general	1,148,466	-	1,148,466	990,349	-	990,349
Fundraising	127,652	-	127,652	65,269	-	65,269
Total Expenses	<u>10,459,713</u>	<u>-</u>	<u>10,459,713</u>	<u>9,002,113</u>	<u>-</u>	<u>9,002,113</u>
Change In Net Assets	(980,997)	(77,366)	(1,058,363)	259,773	35,169	294,942
Beginning Net Assets	<u>5,514,331</u>	<u>618,741</u>	<u>6,133,072</u>	<u>5,254,558</u>	<u>583,572</u>	<u>5,838,130</u>
Ending 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>

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

Conservation Corps
Statements of Functional Expenses
For the Years Ended December 31, 2017 and 2016

	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 Financial Statements.

Conservation Corps
Statements of Functional Expenses (Continued)
For the Years Ended December 31, 2017 and 2016

	2016						
	Program Services				Supporting Services		
	Youth Programs	Field Crew Programs	Single Placements Programs	Total	Management and General	Fundraising	Total
Staff salaries and payroll taxes	\$ 315,485	\$ 985,109	\$ 99,263	\$ 1,399,857	\$ 365,957	\$ 41,039	\$ 1,806,853
Staff benefits	41,893	130,990	15,324	188,207	58,257	6,984	253,448
Corps member living allowance and payroll taxes	737,906	2,680,153	511,433	3,929,492	4,517	195	3,934,204
Corps member benefits	15,555	114,687	16,364	146,606	91	-	146,697
Workers compensation	12,802	54,459	3,636	70,897	1,031	-	71,928
Direct program	144,458	488,145	19,184	651,787	39,705	-	691,492
Fleet, communications, and training	234,361	832,389	26,395	1,093,145	22,062	84	1,115,291
Insurance	16,157	31,362	4,910	52,429	3,382	-	55,811
Space cost and utilities	45,333	154,070	8,040	207,443	17,563	-	225,006
Office supplies and depreciation	13,580	55,301	369	69,250	19,982	186	89,418
Professional fees	36,460	5,580	-	42,040	308,068	15,210	365,318
Marketing and printing	1,106	3,723	49	4,878	12,475	551	17,904
Staff travel and meetings	2,057	22,863	2,542	27,462	21,598	14	49,074
Financial and bank fees	-	-	-	-	1,255	-	1,255
Miscellaneous expenses	791	1,195	12	1,998	9,181	29	11,208
Other	14,920	40,769	5,315	61,004	105,225	977	167,206
Total	\$ 1,632,864	\$ 5,600,795	\$ 712,836	\$ 7,946,495	\$ 990,349	\$ 65,269	\$ 9,002,113
	18%	62%	8%	88%	11%	1%	100%

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

Conservation Corps
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (1,058,363)	\$ 294,942
Adjustment to reconcile change in net assets to net cash used by operating activities:		
Depreciation	73,756	51,821
Loss (gain) on disposal of computers, furniture and equipment	4,713	(1,700)
(Increase) decrease in assets:		
Accounts receivable	(958,787)	(500,077)
Prepaid expenses	(62,528)	(6,265)
Deposits - lease security deposits	(1,000)	-
Increase (decrease) in liabilities:		
Accounts payable	12,006	(74,488)
Accrued payroll	14,396	(3,550)
Compensated absences payable	(4,708)	14,867
Net Cash Used by Operating Activities	<u>(1,980,515)</u>	<u>(224,450)</u>
Cash Flows From Investing Activities		
Purchase of equipment	(193,303)	(91,282)
Purchase of software	(55,729)	-
Proceeds from sale of assets held for use	46,000	-
Proceeds from sale of donated assets held for sale	-	1,700
Net Cash Used by Investing Activities	<u>(203,032)</u>	<u>(89,582)</u>
Change In Cash and Cash Equivalents	(2,183,547)	(314,032)
Beginning Cash and Cash Equivalents	<u>4,153,458</u>	<u>4,467,490</u>
Ending Cash and Cash Equivalents	<u><u>\$ 1,969,911</u></u>	<u><u>\$ 4,153,458</u></u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Interest	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Income taxes	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

Conservation Corps
Notes to the Financial Statements
December 31, 2017 and 2016

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, 2017 and 2016

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Contributions received are recorded as an increase in unrestricted, temporarily restricted, or permanently restricted 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:

Unrestricted Net Assets

Unrestricted net assets 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.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those resources subject to donor imposed restrictions, which will be satisfied by actions of the Organization or passage of time.

Permanently Restricted Net Assets

Permanently restricted net assets are those resources subject to donor imposed restrictions that they be maintained permanently by the Organization. There were no permanently restricted net assets at December 31, 2017 and 2016.

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. 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 temporarily restricted net assets 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 temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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, 2017 and 2016

Note 1: Summary of Significant Accounting Policies (Continued)

E. 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, 2017 and 2016.

F. 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.

The software was put into service in 2018 and therefore, there was no related amortization in 2017.

For the years ended December 31, 2017 and 2016, depreciation expense was \$73,756 and \$51,821, respectively.

G. 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, 2017 and 2016, contributions of material and equipment were recognized in the amount of \$163 and \$467, 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, 2017 and 2016, donated services were recognized in the amount of \$0 and \$32,985, respectively.

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, 2017 and 2016

Note 1: Summary of Significant Accounting Policies (Continued)

H. Functional Expenses Allocation

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

I. 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, 2017 and 2016, 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.

J. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 31, 2018, the date the financial statements were available to be issued.

Note 2: 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, 2017 and 2016, 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 2017 and 2016. The funds remaining are appropriated to the Organization in 2017 and 2016 for the following purposes:

Conservation Corps
Notes to the Financial Statements
December 31, 2017 and 2016

Note 2: Conservation Corps Transfer (Continued)

	2017	2016
General Operations	\$ 227,500	\$ 227,500
Natural Resources Project Funds		
All-terrain vehicle trails	14,319	19,632
Aquatic invasives	9,208	25,000
Forestry	27,682	46,340
Snowmobile trails and enforcement	48,369	57,681
State parks	-	37,162
State trails	-	23,950
Water recreation	34,873	42,512
Off-highway motorcycle	11,360	8,080
Off-road vehicle	47,318	30,000
Cross country ski	-	1,317
Parks and horse trails	5,166	9,040
Total	<u>\$ 425,795</u>	<u>\$ 528,214</u>

Note 3: Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at December 31, 2017 and 2016:

	2017	2016
General Operations	\$ 227,500	\$ 227,500
Natural Resource Project Funds		
All-terrain vehicle trails	14,319	19,632
Aquatic invasives	9,208	25,000
Forestry	27,682	46,340
Snowmobile trails	48,369	57,681
State parks	-	37,162
State trails	-	23,950
Water recreation	34,873	42,512
Off-highway motorcycle	11,360	8,080
Off-road vehicle	47,318	30,000
Cross country ski	-	1,317
Parks and horse trails	5,166	9,040
Programs		
Betty A Lewis University Environmental Charitable Trust	5,700	5,943
Bush Foundation	-	33,750
F. R. Bigelow Foundation	20,000	12,500
Fred C. & Katherine B. Andersen Foundation	30,000	30,000
Mardag Foundation	10,000	-
McNeely Foundation	-	8,334
Otto Bremer Foundation	30,000	-
The North Face Explore Fund	10,000	-
Wells Fargo	9,880	-
Total	<u>\$ 541,375</u>	<u>\$ 618,741</u>

Conservation Corps
Notes to the Financial Statements
December 31, 2017 and 2016

Note 3: Temporarily Restricted Net Assets (Continued)

Net assets released from restrictions during the years ended December 31, 2017 and 2016 were comprised of the following:

	2017	2016
General Operations	\$ 455,000	\$ 455,000
Board of Water and Soil Resources		-
Natural Resource Project Funds		
All-terrain vehicle trails	55,313	56,308
Forestry	68,658	41,150
Moto	6,720	11,920
Snowmobile trails	84,312	73,417
State parks	187,162	150,133
State trails	48,950	5,833
Water recreation	57,639	23,718
Aquatic invasives	40,792	20,590
Off-road vehicle	12,682	27,249
Cross country ski	16,317	19,863
Parks and horse trails	13,874	6,760
Programs		
Andersen Corporate Foundation	6,000	6,000
Best Buy Foundation	-	5,000
Bush Foundation	33,750	33,750
Betty A Lewis University Environmental Charitable Trust	5,943	5,917
Carl and Verna Schmidt Foundation	10,000	10,000
Enterprise Holdings Foundation	4,000	-
ERM Group Foundation	2,500	-
F. R. Bigelow Foundation	12,500	-
Fred C. & Katherine B. Andersen Foundation	30,000	30,000
Lloyd K. Johnson Foundation	5,000	10,000
McNeely Foundation	28,334	-
Otto Bremer Foundation		20,000
Saint Paul Garden Club	-	1,000
United Way	25,000	50,000
Total	<u>\$ 1,210,446</u>	<u>\$ 1,063,608</u>

Conservation Corps
Notes to the Financial Statements
December 31, 2017 and 2016

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 \$1,131,597 and \$905,122 for the years ended December 31, 2017 and 2016, respectively.

Future minimum lease payments are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2018	\$ 745,673
2019	667,920
2020	509,054
2021	284,700
2022	<u>141,230</u>
Total	<u><u>\$ 2,348,577</u></u>

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:

<u>Employee Deferral</u>	<u>Employer Match</u>
1%	2%
2%	4%

For the years ended December 31, 2017 and 2016, the Organization's contributions were \$74,290 and \$65,902, respectively.

Conservation Corps
Notes to the Financial Statements
December 31, 2017 and 2016

Note 7: Subsequent Event

A. Lease

During the first three months of 2018, the Organization entered into seven vehicle lease agreements with enterprise.

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

<u>Years Ending December 31,</u>	<u>Amount</u>
2018	\$ 45,858
2019	54,316
2020	54,316
2021	54,316
2022	54,316
Total	<u>\$ 263,122</u>

B. Contingency

On May 11, 2018, the Organization received a demand letter seeking a monetary settlement. The Organization has referred the matter to its insurance company who is in the process of assessing the alleged claims and the probability a liability would need to be recognized in the future. As such, the Organization has not been able to determine a reasonable estimate for a loss, if any, associated with the event as of the date of this report.

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, 2017, 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 31, 2018.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2017-001 that we consider to be a material weakness.

Compliance and Other Matters

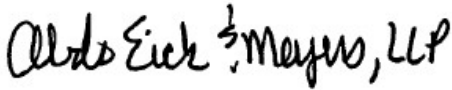
As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

The Organization's Response to Finding

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 31, 2018

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, 2017. 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, 2017.

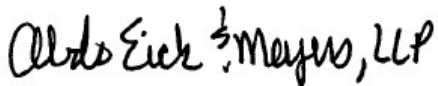
Report on Internal Control over Compliance

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 31, 2018

Conservation Corps
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

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	\$ 363,196	\$ -	\$ 363,196
ServeMinnesota / 12ACHMN0010004-14	94.006	-	457,017	457,017
ServeMinnesota / 16AC188486	94.006	-	57,339	57,339
Iowa Commission for Volunteer Services / 16-AF-10	94.006	-	284,197	284,197
<i>Total Corporation for National and Community Service:</i>		<u>363,196</u>	<u>798,553</u>	<u>1,161,749</u>
Total Federal Expenditures		<u><u>\$ 363,196</u></u>	<u><u>\$ 798,553</u></u>	<u><u>\$ 1,161,749</u></u>

See accompanying notes to schedule of expenditures of federal awards.

Conservation Corps
Notes to the Schedule of
Expenditures of Federal Awards
For the Year Ended December 31, 2017

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, 2017. 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, 2017, 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, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	Yes
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

	<u>CFDA No.</u>
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

A material weakness relating to the audit of the financial statements is reported in the 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*. Finding 2017-001 is reported as a material weakness.

2017-001 Material Weakness in Internal Controls over Financial Reporting

Condition:

During our 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.

Criteria:

The Organization's internal control over financial reporting should be designed and operating effectively such that any significant or material misstatements would be prevented, or detected and corrected by management or employees in a timely manner and in the normal course of performing their duties. One of the several assertions inherent in financial statements is "Cutoff" - all transactions are accounted for in the proper period.

Cause

The Organization's controls did not detect the revenue omission and would have resulted in a material misstatement of the financial statements. The deficiency in the control exists because the project managers are required to inform accounting staff when to invoice partners. However, the Organization did not have systems in place so the accounting staff and Organization management could see unbilled projects or the progress of work on ongoing projects.

Effect:

As a result of the misstatement, both accounts receivable and revenue were materially understated prior to the audit adjustment.

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.

Management's Response:

This shortcoming/deficiency was identified by management during 2017 and a new accounting system and procedures have been implemented in 2018. As a result, management believes that this issue has been resolved and any internal control deficiency eliminated.

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.

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.



Resources restored. Lives changed.

June 26, 2018

CORRECTIVE ACTION PLAN

Corporation for National and Community Service

Conservation Corps respectfully submits the following corrective action plan for the year ended December 31, 2017.

Name and address of independent public accounting firm:

Abdo, Eick & Meyers, LLP
5201 Eden Avenue, Suite 250
Edina, MN 55436

Audit period: January 1, 2017 – December 31, 2017

The findings from the December 31, 2017 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Findings-Internal Control over Financial Reporting

Material Weakness

Corporation for National and Community Service: AmeriCorps - CFDA 94.006

2017-001 – Material Weakness in Internal Controls over Financial Reporting

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.

Planned Action

Conservation Corps believes that this has been corrected in 2018 with the implementation of new accounting software that will track projects from start to finish and alert management when a project manager has not initiated billing timely.

If the Corporation for National and Community Service has questions regarding this plan, please call Jim Kaczrowski, Director of Finance and Admin, at 651-209-9900 ext. 21.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim K".

Jim Kaczrowski
Director of Finance & Admin
60 Plato Blvd East Suite 210
St Paul MN 55107
Phone (651) 209-9900 ext. 21