

MILE HIGH YOUTH CORPS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

MILE HIGH YOUTH CORPS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7



September 17, 2020

Independent Auditors' Report

Board of Directors
Year One Inc. dba Mile High Youth Corps
Denver, Colorado

We have audited the accompanying statements of **Year One Inc. dba Mile High Youth Corps**, (a Colorado nonprofit 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.

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 audit. We conducted our audit 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 of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements 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 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 Mile High Youth Corps as of December 31, 2019, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Mile High Youth Corps's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 16, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2020, on our consideration of Mile High Youth Corps'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 Mile High Youth Corps's internal control over financial reporting and compliance.

Taylor R Roth and Company P/C

TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

MILE HIGH YOUTH CORPS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FROM 2018)

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 747,763	\$ 785,613
Grants and contracts receivable	391,597	259,873
Prepaid expenses and deposits	48,576	50,057
Property and equipment - with and without donor restrictions (Note 3)	<u>1,437,998</u>	<u>1,428,127</u>
Total assets	<u>\$ 2,625,934</u>	<u>\$ 2,523,670</u>
<u>Liabilities and net assets</u>		
Accounts payable and accrued liabilities	62,450	40,323
Payroll liabilities	106,647	77,222
Security deposits	3,810	2,585
Deferred income	35,017	34,024
Capital lease obligations (Note 4)	69,503	12,978
Notes payable - building (Note 6)	121,782	140,838
Line of credit (Note 7)	<u>-</u>	<u>-</u>
Total liabilities	<u>399,209</u>	<u>307,970</u>
Net assets		
Undesignated		
Without donor restrictions	657,066	703,049
Net investment in fixed assets	<u>1,246,713</u>	<u>1,274,311</u>
Total undesignated	1,903,779	1,977,360
Net assets with donor restrictions (Note 8)	<u>322,946</u>	<u>238,340</u>
Total net assets	<u>2,226,725</u>	<u>2,215,700</u>
Total liabilities and net assets	<u>\$ 2,625,934</u>	<u>\$ 2,523,670</u>

The accompanying notes are an integral part of these financial statements

MILE HIGH YOUTH CORPS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Contract services	\$ 2,154,549	\$ -	\$ 2,154,549	\$ 1,881,423
Government grants and awards	1,420,503	-	1,420,503	1,418,547
Foundations and corporations	233,541	324,831	558,372	456,482
Special events	114,790	-	114,790	96,154
Individual and board	68,994	-	68,994	60,710
Rent	31,499	-	31,499	4,511
Other	36,949	-	36,949	30,406
In-kind contributions (Note 9)	49,930	-	49,930	49,824
Net assets released from restrictions (Note 10)	240,225	(240,225)	-	-
Total revenue and other support	<u>4,350,980</u>	<u>84,606</u>	<u>4,435,586</u>	<u>3,998,057</u>
<u>Expense</u>				
Program - Youth education and training	3,781,548	-	3,781,548	3,357,969
Supporting services				
Management and general	287,681	-	287,681	226,096
Fundraising	285,565	-	285,565	224,312
Total	<u>4,354,794</u>	<u>-</u>	<u>4,354,794</u>	<u>3,808,377</u>
Change in net assets before depreciation	(3,814)	84,606	80,792	189,680
Depreciation expense	<u>69,767</u>	<u>-</u>	<u>69,767</u>	<u>67,808</u>
Change in net assets	(73,581)	84,606	11,025	121,872
Net assets, beginning of year	<u>1,977,360</u>	<u>238,340</u>	<u>2,215,700</u>	<u>2,093,828</u>
Net assets, end of year	<u>\$ 1,903,779</u>	<u>\$ 322,946</u>	<u>\$ 2,226,725</u>	<u>\$ 2,215,700</u>

The accompanying notes are an integral part of these financial statements

MILE HIGH YOUTH CORPS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019			2018	
	<u>Supporting Services</u>				
		Management and	Fund- raising	Total	Total
	<u>Program</u>	<u>General</u>			
Salaries staff	\$ 1,124,164	\$ 168,613	\$ 141,698	\$ 1,434,475	\$ 1,224,841
Salaries youth	1,409,676	-	-	1,409,676	1,228,228
Payroll taxes and benefits	431,485	26,402	22,609	480,496	416,033
Program supplies and support	177,032	2,068	1,214	180,314	192,515
Occupancy	86,983	30,279	15,652	132,914	118,102
Vehicle leases, maint. and fuel	121,962	118	90	122,170	108,549
Installation materials	85,345	-	-	85,345	100,245
Insurance	38,148	13,978	7,225	59,351	65,809
Special events	69	-	52,183	52,252	27,162
Travel	40,660	4,403	3,527	48,590	19,100
Technology support	26,177	9,592	9,609	45,378	21,619
Uniforms and PPE	38,799	-	-	38,799	-
Professional fees	25,123	7,190	3,717	36,030	32,323
Training and development	32,837	725	2,027	35,589	29,337
Marketing and outreach	20,655	2,715	11,360	34,730	15,276
Utilities	15,921	5,491	2,838	24,250	54,002
Background checks	22,609	-	-	22,609	25,033
Telecommunications	14,132	5,178	2,676	21,986	21,480
Membership and dues	13,567	2,281	1,855	17,703	13,250
Payroll processing	10,022	3,672	1,898	15,592	15,003
Bus passes	11,999	-	-	11,999	5,299
Interest	6,289	2,304	2,041	10,634	12,571
Tuition	9,385	-	-	9,385	18,300
Office supplies	6,380	1,318	748	8,446	7,716
Equipment	4,580	633	827	6,040	19,869
Recruitment	5,608	100	49	5,757	7,788
Postage and printing	1,941	621	1,722	4,284	5,251
Other	-	-	-	-	3,676
	<u>3,781,548</u>	<u>287,681</u>	<u>285,565</u>	<u>4,354,794</u>	<u>3,808,377</u>
Depreciation	<u>44,842</u>	<u>16,431</u>	<u>8,494</u>	<u>69,767</u>	<u>67,808</u>
Total	<u>\$ 3,826,390</u>	<u>\$ 304,112</u>	<u>\$ 294,059</u>	<u>\$ 4,424,561</u>	<u>\$ 3,876,185</u>

The accompanying notes are an integral part of these financial statements

MILE HIGH YOUTH CORPS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019	2018
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 11,025	\$ 121,872
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	69,767	67,808
<u>Changes in operating assets and liabilities</u>		
(Increase) in grants receivable	(131,724)	93,820
Decrease (increase) in prepaid assets	1,481	(26,171)
(Decrease) in accounts payable	22,127	(40,726)
Increase in payroll accruals	29,425	744
Increase (decrease) in deferred revenue	993	(912)
Increase in security deposits	1,225	(9,489)
Net cash provided by (used in) operating activities	4,319	206,946
<u>Cash flows from investing activities</u>		
Purchases of fixed assets	-	(17,728)
<u>Cash flows from financing activities</u>		
Repayment on notes payable	(19,056)	(18,370)
Repayment on capital lease obligations	(23,113)	(14,216)
Net cash (used in) in financing activities	(42,169)	(32,586)
Net increase (decrease) in cash and cash equivalents	(37,850)	156,632
Cash and cash equivalents, beginning of year	785,613	628,981
Cash and cash equivalents, end of year	\$ 747,763	\$ 785,613
Cash paid during the period for interest	\$ 8,707	\$ 11,003

The accompanying notes are an integral part of these financial statements

YEAR ONE INC. DBA MILE HIGH YOUTH CORPS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

NOTE 1 - NATURE OF ACTIVITIES

Year One Inc. dba Mile High Youth Corps (MHYC) (the Organization) was founded under the laws of the State of Colorado in 1992. MHYC is a nonprofit corporation whose mission is to help youth make a difference in themselves and their community through meaningful service opportunities and educational experiences. MHYC serves 16-24 year olds in one of four career pathways: land conservation, energy & water conservation, construction and healthcare. By integrating paid work experience on community projects with career exploration, education and lifeskills training, MHYC helps youth develop the skills they need to succeed in the classroom, the workforce and everyday life. Through hands-on service, youth gain the knowledge, skills and motivation they need to make positive changes in their own lives, their community and the environment. MHYC operates in 23 counties across the Southern Front Range and the Denver Metro area. The organization is supported primarily by contract services income and government grants.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The financial statements of Year One Inc. dba Mile High Youth Corps have been prepared in accordance with U.S. generally accepted accounting principles which require the Organization to report its financial position and activities according to the following net asset classifications:

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

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

4. Donations

The Organization reports gifts of cash and other assets such as land, buildings and equipment as unrestricted support unless a donor stipulates how the donated assets must be used. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restriction and reported in the statement of activities, as net assets released from restrictions.

5. Capitalization and Depreciation

The Organization follows the practice of capitalizing all expenditures for furniture and equipment in excess of \$3,000. The fair value of donated assets is similarly capitalized. Depreciation of furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

6. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

8. Functional Reporting of Expenses

For the year ended December 31, 2019, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. While some expenses were allocated entirely to an expense function through specific identification, other expenses related to more than one function and required an allocation process to associate expenses among the functions benefitted. The allocation method used for 2019 was derived from metrics including year-round staff payroll (and whether staff effort fell into program, management, or fundraising) and employee count. MHYC will periodically review this method and include other metrics as they become available and reliable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

9. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

10. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

11. Subsequent Events

Management has evaluated subsequent events through September 17, 2020, the date the financial statements were available to be issued. There were no subsequent events that required disclosure.

NOTE 3 - PROPERTY AND EQUIPMENT

The Organization owns its corporate headquarters building located at 1801 Federal Boulevard as well as the finance and operations office at 6740 East Colfax Avenue. The buildings are used for conducting program operations as well as providing offices for staff. The Organization also leases warehouse space in Denver and Colorado Springs to operate programs and store equipment (Note 5). It also owns a fleet of vehicles used for program operations.

The following table shows property and equipment owned or leased (Note 4) as of December 31, 2019:

<u>Description</u>	<u>Amount</u>
Land	\$ 437,950
Building and improvements	1,905,701
Vehicles	230,227
Computers and software	103,577
Furniture and equipment	65,758
Tools	48,824
Leased vehicles and equipment	<u>108,945</u>
Total	2,900,982
Less: accumulated depreciation	<u>(1,462,984)</u>
Net property and equipment	<u>\$ 1,437,998</u>

Depreciation expense for the year was \$69,767.

NOTE 3 - PROPERTY AND EQUIPMENT (CONCLUDED)

Under the terms of the 2012 purchase agreement for the building located at 6740 East Colfax Avenue, the Organization is required to use the building as a community facility for 20 years and may not borrow against the building without prior approval of the mayor for that same time period.

NOTE 4 - CAPITAL LEASE OBLIGATIONS

The Organization has acquired photocopiers under capital leasing arrangements. Future lease obligation payments under the agreements are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 17,088
2021	17,088
2022	17,088
2023	17,088
2024	11,392
Less: amount representing interest	<u>(10,241)</u>
Present value of capital lease obligations	<u>\$ 69,503</u>

NOTE 5 - COMMITMENTS

During the year, the Organization leased warehouse space in Denver to operate programs and store equipment. Future lease obligation payments under the agreement are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 20,032
2021	21,020
2022	<u>12,606</u>
Total	<u>\$ 53,658</u>

Additionally, the Organization leases warehouse and program space in Colorado Springs to operate programs in that city. Future lease obligation payments under that agreement are:

<u>Year</u>	<u>Amount</u>
2020	\$ 27,924
2021	28,744
2022	<u>9,672</u>
Total	<u>\$ 66,340</u>

NOTE 6 - NOTES PAYABLE - BUILDING

In 2010, the Organization negotiated a \$100,000 construction loan from the City and County of Denver. Proceeds from the loan were used to renovate the 1801 Federal property. The note bears interest at 3%, payments of \$691 per month began on January 1, 2011, and a balloon payment of \$42,427 is due on July 1, 2020. The note is secured by the 1801 Federal property. At December 31, 2019, the outstanding balance on this loan was \$45,600. Subsequent to year end, the City of Denver forgave the balloon payment.

In 2010, the Organization negotiated a second construction loan from FirstBank for \$400,000. Proceeds from the loan were used to renovate the 1801 Federal property. During 2015, the Organization modified this loan into a 10-year mortgage loan. Under the terms of the new loan agreement, the note bears interest of 4.15% and monthly payments are \$1,313. At December 31, 2019, the outstanding balance on this loan was \$76,182.

Future loan maturities for the two notes are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 12,785
2021	13,343
2022	13,915
2023	14,512
2024 and after	<u>21,627</u>
Total	<u>\$ 121,782</u>

NOTE 7 - LINE OF CREDIT

A \$600,000 line of credit is currently established with the FirstBank. The interest rate at year-end was 7.25%. The interest rate is adjusted monthly to the prime index published by the Wall Street Journal plus 2.50%. At year-end, there was no outstanding balance.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following program purposes:

<u>Description</u>	<u>Amount</u>
Empowering youth toward self sufficiency	\$ 204,831
Salesforce implementation and technology audit	63,625
Energy and water conservation	25,000
Empowering young adults toward self sufficiency	13,150
YouthBuild - Opportunity Youth	10,000
Vehicle purchase	<u>6,340</u>
Total	<u>\$ 322,946</u>

NOTE 9 - IN-KIND CONTRIBUTIONS

Donated goods and services are reflected in the accompanying statements at their estimated values at the time of receipt:

<u>Description</u>	<u>Amount</u>
Travel vouchers	\$ 30,000
Program supplies and training	13,261
Legal services	<u>6,669</u>
Total	<u>\$ 49,930</u>

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted program purposes:

<u>Description</u>	<u>Amount</u>
Opportunity for Youth	\$ 200,000
Energy and water conservation	24,000
YouthBuild	8,000
Salesforce implementation and technology audit	6,375
Empowering young adults toward self sufficiency	<u>1,850</u>
Total	<u>\$ 240,225</u>

NOTE 11 - PENSION PLAN

The Organization has established a 403(b) retirement plan. Employee contributions are matched up to 3% of gross wages after one year of service with the Organization. Pension expense for the year was \$18,152.

NOTE 12 - CONCENTRATION OF CREDIT RISK

The Organization places all of its cash in one financial institution. Amounts in excess of \$250,000 are not insured by the FDIC or related entity. Management has evaluated its banking needs and the strength of the financial institution and feels that it is in the best long-term interests of the organization to continue its existing relationship.

NOTE 13 - AVAILABILITY AND LIQUIDITY

The following represents the Organizations financial assets at December 31, 2019:

<u>Description</u>	<u>Amount</u>
Cash and cash equivalents	\$ 747,763
Grants receivable	391,597
Less net assets with purpose restrictions	<u>(322,946)</u>
Total financial assets available to meet general expenditures over the next twelve months	<u>\$ 816,414</u>

The Organization's goal is generally to maintain financial assets to meet 60 days of operating expenses. At year end, the liquid assets are adequate to cover approximately 68 days of operating expenses.

NOTE 14 - SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closing of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The Organization expects this matter to negatively impact its operations. While the related financial impact and duration cannot be reasonably estimated at this time the organization has instituted robust safety protocols that have allowed programs to continue to operate and cost savings measures have been implemented to reduce organizational expenses in all categories. Important additional information impacting 2020: The Organization was granted loan forgiveness for the balance of the City and County of Denver loan (NOTE 6) which eliminates the \$42,427 balloon payment that would have been due in July 2020. Additionally, on April 15, 2020, the Organization received a \$651,000 loan under the Paycheck Protection Program. The Program provides for loan forgiveness if the Organization is able to meet certain employee retention and salary requirements.