

Year One, Inc. dba Mile High Youth Corps

Financial Statements

December 31, 2020

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Year One, Inc. dba Mile High Youth Corps, which comprise the statement of financial position as of December 31, 2020, 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. 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 Year One, Inc. dba Mile High Youth Corps as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Kundinger, Corder & Engle, P.C.

April 22, 2021

Year One, Inc. dba Mile High Youth Corps
Statement of Financial Position
December 31, 2020

Assets	
Cash and cash equivalents	\$ 1,298,696
Accounts receivable	148,015
Government grants receivable	103,418
Prepaid expenses and other assets	48,193
Property and equipment, net (note 3)	<u>1,412,121</u>
Total assets	<u><u>\$ 3,010,443</u></u>
 Liabilities and net assets	
Accounts payable and other liabilities	\$ 51,073
Accrued payroll expenses	131,394
Refundable advances	24,339
Deferred revenue	66,071
Capital lease obligation (note 4)	52,415
Notes payable (note 5)	<u>97,041</u>
Total liabilities	<u>422,333</u>
 Net assets	
Net assets without donor restrictions	
Property and equipment, net of related debt	1,262,665
Undesignated	<u>861,380</u>
Total net assets without donor restrictions	2,124,045
Net assets with donor restrictions (note 7)	<u>464,065</u>
Total net assets	2,588,110
 Commitments and contingency (notes 3, 6, 8, 9 and 10)	
Total liabilities and net assets	<u><u>\$ 3,010,443</u></u>

See the accompanying notes to the financial statements.

Year One, Inc. dba Mile High Youth Corps
Statement of Activities
Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Revenue and support			
Contributions and grants	\$ 496,019	400,000	896,019
Government grant revenue	871,403	–	871,403
Forgiveness of Paycheck Protection Program loan (note 10)	651,000	–	651,000
In-kind contributions (note 1(g))	48,917	–	48,917
Contract revenue	1,567,199	–	1,567,199
Other revenue	77,529	–	77,529
Net assets released from restrictions (note 7)	258,881	(258,881)	–
Total revenue and support	<u>3,970,948</u>	<u>141,119</u>	<u>4,112,067</u>
Expenses			
Program services - youth education and training	3,005,807	–	3,005,807
Supporting services			
Management and general	394,380	–	394,380
Fund raising	278,533	–	278,533
Total supporting services	<u>672,913</u>	<u>–</u>	<u>672,913</u>
Total expenses before depreciation	<u>3,678,720</u>	<u>–</u>	<u>3,678,720</u>
Change in net assets before depreciation	292,228	141,119	433,347
Depreciation expense	71,962	–	71,962
Change in net assets	220,266	141,119	361,385
Net assets at beginning of year	<u>1,903,779</u>	<u>322,946</u>	<u>2,226,725</u>
Net assets at end of year	<u>\$ 2,124,045</u>	<u>464,065</u>	<u>2,588,110</u>

See the accompanying notes to the financial statements.

Year One, Inc. dba Mile High Youth Corps
Statement of Functional Expenses
Year Ended December 31, 2020

	Program services	Management and general	Fund raising	Total
Salaries–staff	\$ 920,847	236,457	171,339	1,328,643
Benefits and payroll taxes–staff	197,583	41,785	30,460	269,828
Salaries–Corpsmembers	993,159	–	–	993,159
Benefits and payroll taxes–Corpsmembers	156,013	–	–	156,013
Building rent and operations	118,769	39,779	17,618	176,166
Vehicle expenses	130,525	511	224	131,260
Other program supplies	122,665	2,686	2,343	127,694
Professional fees	71,979	26,650	11,687	110,316
Insurance	47,803	17,718	7,770	73,291
Installation materials	59,698	–	–	59,698
Technology support	29,641	10,561	6,868	47,070
Uniforms and protective gear	36,723	904	396	38,023
Training and development	33,567	1,190	660	35,417
Marketing and outreach	10,107	752	16,043	26,902
Travel	16,329	5,033	2,436	23,798
Memberships and dues	13,149	4,011	1,759	18,919
Payroll processing	10,075	3,734	1,637	15,446
Background checks	13,423	–	49	13,472
Interest and fees	6,966	2,593	1,447	11,006
Recruitment	8,735	16	7	8,758
Bus passes	8,034	–	–	8,034
Special events expense	17	–	5,790	5,807
	<u>3,005,807</u>	<u>394,380</u>	<u>278,533</u>	<u>3,678,720</u>
Depreciation	46,937	17,396	7,629	71,962
Total expenses	<u>\$ 3,052,744</u>	<u>411,776</u>	<u>286,162</u>	<u>3,750,682</u>

See the accompanying notes to the financial statements.

Year One, Inc. dba Mile High Youth Corps
Statement of Cash Flows
Year Ended December 31, 2020

Cash flows from operating activities	
Change in net assets	\$ 361,385
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	71,962
Forgiveness of note payable from the City and County of Denver	(42,711)
Change in operating assets and liabilities	
Receivables	140,164
Prepaid expenses and other assets	6,668
Accounts payable and other liabilities	(15,187)
Accrued payroll expenses	24,747
Refundable advances	24,339
Deferred revenue	31,054
Net cash provided by operating activities	<u>602,421</u>
Cash flows from investing activities	
Purchases of property and equipment	<u>(9,085)</u>
Net cash used in investing activities	<u>(9,085)</u>
Cash flows from financing activities	
Payments on capital lease obligations	(17,088)
Payments on notes payable	<u>(19,030)</u>
Net cash used in financing activities	<u>(36,118)</u>
Net increase in cash and cash equivalents	557,218
Cash and cash equivalents at beginning of year	<u>741,478</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,298,696</u></u>
Supplemental cash flow information	
Cash paid during the year for interest	<u><u>\$ 6,471</u></u>

Noncash investing and financing activities

The Organization financed the purchase of equipment for \$37,000 with a note payable of an equal amount.

A loan that was received in a previous year, with a remaining balance of \$42,711, was forgiven by the City and County of Denver.

See the accompanying notes to the financial statements.

Year One, Inc. dba Mile High Youth Corps
Notes to Financial Statements
December 31, 2020

(1) Summary of Significant Accounting Policies

(a) Organization

Year One, Inc. dba Mile High Youth Corps (the Organization) was founded under the laws of the State of Colorado in 1992. The Organization 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. The Organization serves 18-24 year-olds in one of four career pathways: land conservation, energy and water conservation, construction, and healthcare. By integrating paid work experience on community projects with career exploration, education and life skills training, the Organization 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. The Organization operates in 23 counties across the Southern Front Range and the Denver Metro area. The youth that the Organization serves are referred to as “Corpsmembers”. The Organization is supported primarily by contract revenue, contributions, and government grants.

(b) Basis of Accounting

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

(c) Financial Statement Presentation

The Organization is required to present information regarding its financial position and activities according to the following net asset classifications:

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

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At December 31, 2020, there are no net assets with perpetual donor restrictions.

(d) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Year One, Inc. dba Mile High Youth Corps
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable and government grants receivable. The Organization places its cash and cash equivalents with creditworthy, high quality financial institutions. At times, a portion of these cash balances may not be insured by the Federal Deposit Insurance Corporation or related entity.

Credit risk with respect to receivables is limited due to the credit worthiness of the entities and individuals that comprise the customer and contributor base.

(f) Property and Equipment

Property and equipment are recorded at cost, if purchased, or at fair value at the date of donation, if donated. The Organization capitalizes all property and equipment with a cost or fair value at the date of donation in excess of \$3,000 with a useful life of more than one year. Depreciation on property and equipment is calculated on the straight-line method over estimated useful lives of the assets ranging from three to thirty years.

(g) Revenue Recognition

Contributions and grants

Contributions and grants are recognized when cash, securities or other assets, and unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend are substantially met. Payments received in advance of conditions being met are recorded as refundable advances as liabilities in the statement of financial position.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a donor restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions and grants receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. The Organization uses the allowance method to determine uncollectible grants and contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Year One, Inc. dba Mile High Youth Corps
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Revenue Recognition, Continued

Contributions and grants, continued

Government grants are treated as contributions that are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at December 31, 2020, conditional contributions relating to these grants, totaling \$259,509, of which \$24,339 has been received in advance, have not been recorded in the accompanying financial statements.

In-kind contributions

In-kind contributions are recorded as contributions and corresponding expenses in the accompanying statements at their estimated values at date of donation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. In-kind contributions received for the year ended December 31, 2020 totaled \$48,917 and consisted primarily of donated services.

In-kind expenses are recorded under various categories in the statement of functional expenses, according to their classification. Many individuals volunteer their time and perform a variety of tasks that assist the Organization in its programs and general operations. However, the value of this contributed time is not reflected in the accompanying financial statements as it does not meet the criteria of recognition under accounting principles.

Contract revenue

A significant portion of the Organization's revenue is derived from contractual agreements under which Corpsmembers are to provide various services under the Organization's programs. Revenue under these contracts is deemed earned after the services have been performed. The contracts generally provide for a fixed fee to be paid for services provided, which is generally billed monthly. Cash received in advance of the services being provided is recorded as deferred revenue and totals \$66,071 at December 31, 2020.

Accounts receivable represent amounts due resulting from performance of these services. The allowance for doubtful accounts is based on past experience and on analysis of the collectability of current accounts receivable. At December 31, 2020, management believes all accounts receivable to be fully collectible and, therefore, no allowance for doubtful accounts has been recognized.

Year One, Inc. dba Mile High Youth Corps
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(h) Functional Expense Allocation

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. The Organization incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Organization also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. fund raising and management and general activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount, square-footage, or estimates of time and effort incurred by personnel.

(i) Estimates

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

(j) Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. However, income from activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business taxable income. There was no unrelated business taxable income during the year ended December 31, 2020.

Management is required to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if it has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. The Organization has analyzed the tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements and determined there are none. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The three previous tax years remain subject to examination.

(k) Subsequent Events

The Organization has evaluated subsequent events through April 22, 2021, the date the financial statements were available to be issued. See note 10.

Year One, Inc. dba Mile High Youth Corps
Notes to Financial Statements, Continued

(2) Liquidity and Availability

The following represents the Organization's financial assets as of December 31, 2020:

Financial assets at year-end	
Cash and cash equivalents	\$ 1,298,696
Accounts receivable	148,015
Government grants receivable	<u>103,418</u>
Total financial assets	1,550,129
Less net assets with donor restrictions	<u>(464,065)</u>
Financial assets available to meet expenditures within one year	<u>\$ 1,086,064</u>

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Organization's goal is generally to maintain financial assets to meet 60 days of operating expenses. At December 31, 2020, the liquid assets are adequate to cover approximately 108 days of operating expenses. To manage liquidity, the Organization has a line of credit available that is drawn upon to manage cash flows as needed (see note 6).

(3) Property and Equipment

Property and equipment consists of the following:

Land	\$ 437,950
Buildings and improvements	1,914,785
Computer and software	103,577
Furniture and equipment	240,097
Vehicles	<u>250,657</u>
	2,947,066
Less accumulated depreciation	<u>(1,534,945)</u>
Net property and equipment	<u>\$ 1,412,121</u>

In 2012, the Organization purchased the East Montclair Community Center, located at 6740 East Colfax Avenue, in Denver, Colorado. As part of the purchase agreement with the City and County of Denver, 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 from the City.

Year One, Inc. dba Mile High Youth Corps
Notes to Financial Statements, Continued

(4) Capital Lease Obligation

The Organization has acquired photocopiers under a capital lease expiring in August 2024. Total minimum rental commitments under this capital lease agreement are as follows for the years ending December 31:

2021	\$ 17,777
2022	18,310
2023	18,859
2024	<u>12,822</u>
	67,768
Less amounts attributable to interest	<u>(15,353)</u>
Total capital lease obligation	<u>\$ 52,415</u>

(5) Notes Payable

In 2010, the Organization obtained a construction loan from a bank for \$400,000. Proceeds from the loan were used to renovate the Organization's headquarters located at 1801 Federal Blvd., in Denver, Colorado. The loan bears interest at 4.15% and is payable in monthly installments of \$1,313. The loan expires in May 2025 and is collateralized by the property.

During the year, the Organization obtained a loan from a bank, totaling \$37,000, to purchase a wood chipper to be used in its programs. The loan bears interest at 4% and is payable in monthly installments of \$683 through June 2025. The loan is collateralized by a security interest in the Organization's bank accounts.

As of December 31, 2020, future payments on the loans for years ending December 31st are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 20,299	3,648	23,947
2022	21,158	2,789	23,947
2023	22,055	1,892	23,947
2024	22,985	962	23,947
Later years	<u>10,544</u>	<u>116</u>	<u>10,660</u>
Totals	<u>\$ 97,041</u>	<u>9,407</u>	<u>106,448</u>

During 2020, a loan that was received in a previous year from the City and County of Denver, totaling \$42,711, was forgiven in full and is recognized as government grant revenue in the statement of activities.

(6) Line of Credit

The Organization has a \$600,000 line of credit with a bank that expires April 24, 2023. Interest is subject to change on the note and is based on the Wall Street Journal Prime Rate plus 1%. At December 31, 2020, no amounts were outstanding on the line of credit.

Year One, Inc. dba Mile High Youth Corps
Notes to Financial Statements, Continued

(7) Net Assets with Donor Restrictions

The Organization's net assets with donor restrictions consist of the following at December 31, 2020:

Empowering youth toward self-sufficiency	\$ 300,000
Salesforce implementation and technology audit	57,725
Vehicle purchases	<u>106,340</u>
Total net assets with donor restrictions	<u>\$ 464,065</u>

During the year ended December 31, 2020, net assets were released from restrictions for the following purposes:

Empowering youth toward self-sufficiency	\$ 217,981
Salesforce implementation and technology audit	5,900
Energy and water conservation	25,000
YouthBuild	<u>10,000</u>
Total net assets released from restrictions	<u>\$ 258,881</u>

(8) Operating Leases

The Organization is obligated under various non-cancelable lease agreements to rent space and vehicles for use in its programs. The Organization leases office and storage space at a location in Denver under an agreement which expires July 2022. The Organization also leases office space in Colorado Springs under an agreement which expires April 2022. Additionally, the Organization is obligated under various non-cancelable leases for vehicles, which vary in length and terms. However, all obligations under these vehicle leases currently expire in November 2021. Total minimum rental commitments under these operating lease agreements are as follows for the years ending December 31:

	<u>Office Space- Colorado Springs</u>	<u>Office Space- Denver</u>	<u>Vehicles</u>	<u>Total</u>
2021	\$ 28,744	26,255	139,762	194,761
2022	<u>9,672</u>	<u>16,162</u>	—	<u>25,834</u>
Total	<u>\$ 38,416</u>	<u>42,417</u>	<u>139,762</u>	<u>220,595</u>

Rent expense under these agreements totaled \$143,368 for the year ended December 31, 2020.

(9) Retirement Plan

The Organization has established a 403(b) plan (the Plan) which coverage all employees who are at least 21 years of age and have completed one year of service. The Organization can make discretionary matching contributions to the Plan. Through March 2020, the Organization matched employee contributions up to 3% of gross wages. However, after March 2020, the Organization elected to suspend employer contributions to the Plan. Total contributions made by the Organization to the Plan were \$6,263 for 2020.

Year One, Inc. dba Mile High Youth Corps
Notes to Financial Statements, Continued

(10) COVID-19 Pandemic

The COVID-19 pandemic has caused significant business disruption through mandated and voluntary closures of businesses in the United States. As a result of the pandemic, the Organization was forced to suspend and/or reduce some of its operations at certain times during 2020. There continues to be significant uncertainty around the breadth and duration of disruptions related to the pandemic, as well as its impact on the U.S. economy. The extent of the impact of the pandemic on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and government-mandated closures. Therefore, the impact on future events, fundraising, employees, Corpsmembers, and vendors, is uncertain and cannot be determined at this time. However, management continues to monitor the situation closely to ensure the health and safety of staff and participants in its programs. Management also continues to adjust staffing levels and make appropriate expense reductions in response to program needs.

During 2020, the Organization received a \$651,000 loan under the SBA's Paycheck Protection Program (PPP) authorized under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). Under the program, these loans may be partially or fully forgiven if certain eligibility requirements are met, including incurring certain qualifying expenses. As such, the loan was treated as a refundable advance of a conditional contribution. It was determined that the Organization incurred expenses under the program, totaling \$651,000, that met the requirements for forgiveness during the year ended December 31, 2020. As a result, a contribution of \$651,000 was recognized as revenue in the statement of activities for 2020.

In February 2021, the Organization received an additional PPP loan, totaling \$604,800, which may be partially or fully forgiven if certain eligibility requirements are met. In the event that the loan is not forgiven or only partially forgiven, the outstanding balance is payable in equal amounts required to fully amortize the principal amount outstanding on the note by the maturity date of February 1, 2026. The loan is unsecured and interest is charged at 1% per annum.