



**CITY YEAR, INC.**

Independent Auditors' Reports as Required by Title 2 U.S. Code of Federal Regulations  
Part 200, *Uniform Administrative Requirements, Cost Principles and Audit  
Requirements for Federal Awards and  
Government Auditing Standards* and Related Information

Year ended June 30, 2016

**CITY YEAR, INC.**

**Independent Auditors' Reports as Required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and *Government Auditing Standards* and Related Information**  
**Year ended June 30, 2016**

**Table of Contents**

	<b>Exhibit</b>
Independent Auditors' Report on Compliance for the Major Program and Report on Internal Control over Compliance Required by Title 2 U.S. Code of Federal Regulations Part 200, <i>Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards</i>	I
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	II
Schedule of Findings and Questioned Costs	III
Financial Statements and Supplementary Schedules	IV



KPMG LLP  
Two Financial Center  
60 South Street  
Boston, MA 02111

Exhibit I

**Independent Auditors' Report on Compliance for the Major Program and on Internal Control over Compliance Required by Title U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards***

The Board of Trustees  
City Year, Inc.:

**Report on Compliance for the Major Federal Program**

We have audited City Year, Inc.'s (City Year's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on City Year's major federal program for the year ended June 30, 2016. City Year's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for City Year's major federal program 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (the 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 City Year'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 the major federal program. However, our audit does not provide a legal determination of City Year's compliance.

***Opinion on the Federal Program***

In our opinion, City Year complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.



## Report on Internal Control Over Compliance

Management of City Year 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 City Year's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance the each major federal program and to test and report on internal control over compliance in accordance with 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 City Year'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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**KPMG LLP**

November 16, 2016



KPMG LLP  
Two Financial Center  
60 South Street  
Boston, MA 02111

Exhibit II

**Independent Auditors' 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***

The Board of Trustees  
City Year, Inc.:

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 City Year, Inc. (City Year), which comprise the statement of financial position as of June 30, 2016, 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 October 26, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City Year'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 City Year's internal control. Accordingly, we do not express an opinion on the effectiveness of City Year'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of City Year's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City Year's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

**KPMG LLP**

October 26, 2016

CITY YEAR, INC.  
 Schedule of Findings and Questioned Costs  
 Year ended June 30, 2016

(1) Summary of Auditors' Results

*Financial Statements*

Type of auditors' report issued:		Unmodified		
Internal control over financial reporting:				
• Material weakness(es) identified?	_____	yes	_x_	no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____	yes	_x_	none reported
Noncompliance material to the financial statements noted?	_____	yes	_x_	no

*Federal Awards*

Internal control over major programs:				
• Material weakness(es) identified?	_____	yes	_x_	no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____	yes	_x_	none reported
Type of auditors' report issued on compliance for major programs:		Unmodified		
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of The Uniform Guidance?	_____	yes	_x_	no

*Identification of Major Programs*

				CFDA num ber
AmeriCorps Program				94.006
Dollar threshold used to distinguish between type A and type B programs:		\$1,043,406		
Auditee qualified as low-risk auditee?	_x_	yes	_____	no

CITY YEAR, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None.

(3) Findings and Questioned Costs Relating to Federal Awards

None.





KPMG LLP  
Two Financial Center  
60 South Street  
Boston, MA 02111

**Exhibit IV**

## **Independent Auditors' Report**

The Board of Trustees  
City Year, Inc.:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of City Year, Inc. (City Year), which comprise the statements of financial position as of June 30, 2016 and 2015, 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 U.S. generally accepted accounting principles; 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.

### ***Auditors' 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 auditors' 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 City Year as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

***Other Matter***

*Other Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is 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 schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

The supplementary information included in the Supplemental Schedule of Compensation, Benefits, and Other Payments to Agency Head accompanying the financial statements for the year ended June 30, 2016 is presented solely for purposes of additional analysis and is not a required part of the financial statements. Such information is the representation of City Year, Inc.'s management and has not been subjected to the auditing procedures applied in the audit of the City Year, Inc.'s financial statements and, accordingly, we do not express an opinion on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2016 on our consideration of City Year, Inc.'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 City Year, Inc.'s internal control over financial reporting and compliance.

**KPMG LLP**

October 26, 2016, except for the supplementary schedule of expenditures of federal awards, which is as of November 16, 2016

**CITY YEAR, INC.**  
**Statements of Financial Position**  
**June 30, 2016 and 2015**

<b>Assets</b>	<b>2016</b>	<b>2015</b>
Cash and equivalents:		
Unrestricted	\$ 20,934,709	17,829,259
Restricted for future periods	6,825,531	6,548,326
Total cash and equivalents	27,760,240	24,377,585
Government grants receivable, net	9,348,163	8,618,829
Contributions receivable, net (note 9)	7,705,170	5,798,300
Other assets	2,230,105	1,458,813
Investments, at fair value (note 7)	12,419,422	12,929,486
Property and equipment, net (note 10)	18,727,105	20,104,540
Total assets	<u>\$ 78,190,205</u>	<u>73,287,553</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,143,013	3,503,630
Accrued payroll and related expenses	3,949,068	3,596,167
Interest rate swaps (note 14)	762,737	788,619
Bonds payable (note 14)	7,385,000	7,635,000
Total liabilities	<u>15,239,818</u>	<u>15,523,416</u>
Commitments and contingencies (notes 11, 12, and 14)		
Net assets:		
Unrestricted	38,658,522	34,529,208
Temporarily restricted (note 3)	18,210,212	17,253,276
Permanently restricted (note 4)	6,081,653	5,981,653
Total net assets	<u>62,950,387</u>	<u>57,764,137</u>
Total liabilities and net assets	<u>\$ 78,190,205</u>	<u>73,287,553</u>

See accompanying notes to financial statements.

## CITY YEAR, INC.

## Statements of Activities

Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Changes in unrestricted net assets:		
Operations:		
Revenues and other support:		
Contributions and private grants (note 6)	\$ 72,155,656	71,561,513
Federal grants – Corporation for National and Community Service (note 11)	33,942,136	33,111,983
School District and other government grants	31,532,175	27,254,924
Investment return utilized for operations (note 7)	519,253	469,799
Other income	230,912	447,206
Board designated surplus funds authorized for operations	530,000	2,414,000
Net assets released from restrictions (note 5)	8,710,726	7,561,100
Total operating revenues and other support	<u>147,620,858</u>	<u>142,820,525</u>
Expenses (note 6):		
Program services	112,341,515	111,060,483
Supporting services:		
Organizational support	14,085,772	14,977,414
Fundraising	16,514,772	15,388,431
Total expenses	<u>142,942,059</u>	<u>141,426,328</u>
Increase in unrestricted net assets from operations	<u>4,678,799</u>	<u>1,394,197</u>
Nonoperating transactions:		
Board designated surplus funds authorized for operations	(530,000)	(2,414,000)
Investment return below that utilized for operations (note 7)	(45,367)	(637)
Unrealized net gains on changes in fair value of interest-rate swaps (note 14)	25,882	118,588
Decrease in unrestricted net assets from nonoperating transactions	<u>(549,485)</u>	<u>(2,296,049)</u>
Increase (decrease) in unrestricted net assets	<u>4,129,314</u>	<u>(901,852)</u>
Changes in temporarily restricted net assets:		
Contributions	10,446,612	10,740,878
Realized gain on sale of land investment	55,000	—
Unrealized net gains on changes in fair value of land investment	—	95,000
Return on endowments not utilized (note 7)	(833,950)	(551,962)
Net assets released from restrictions (note 5)	(8,710,726)	(7,561,100)
Increase in temporarily restricted net assets	<u>956,936</u>	<u>2,722,816</u>
Changes in permanently restricted net assets:		
Contributions	100,000	100,000
Increase in permanently restricted net assets	<u>100,000</u>	<u>100,000</u>
Increase in net assets	5,186,250	1,920,964
Net assets, beginning of year	<u>57,764,137</u>	<u>55,843,173</u>
Net assets, end of year	<u>\$ 62,950,387</u>	<u>57,764,137</u>

See accompanying notes to financial statements.

## CITY YEAR, INC.

## Statement of Functional Expenses

Year ended June 30, 2016

	<u>Program services</u>	<u>Organizational support</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses:				
Staff salaries	\$ 39,849,773	6,125,990	9,435,543	55,411,306
Corp member stipends	37,603,095	—	199,175	37,802,270
Payroll taxes and employee benefits	13,189,612	871,934	1,895,480	15,957,026
	<u>90,642,480</u>	<u>6,997,924</u>	<u>11,530,198</u>	<u>109,170,602</u>
Other expenses:				
Consulting and professional services	2,798,559	2,226,453	858,208	5,883,220
Transportation, travel, and lodging	4,404,064	246,771	241,002	4,891,837
Conferences and training seminars	119,255	24,957	39,515	183,727
Advertising and recruiting	654,482	108,901	76,176	839,559
Materials and supplies	4,226,044	164,127	781,615	5,171,786
Information technology	840,307	1,255,786	103,308	2,199,401
Telecommunications	1,221,870	833,950	27,211	2,083,031
Dues and fees	95,132	176,586	220,177	491,895
Occupancy and insurance	5,102,638	519,077	26,862	5,648,577
Event venue expense	1,506,467	2,626	2,496,732	4,005,825
Interest	124,358	171,136	14,380	309,874
Depreciation and amortization	605,859	1,357,478	99,388	2,062,725
	<u>21,699,035</u>	<u>7,087,848</u>	<u>4,984,574</u>	<u>33,771,457</u>
Total expenses	<u>\$ 112,341,515</u>	<u>14,085,772</u>	<u>16,514,772</u>	<u>142,942,059</u>

See accompanying notes to financial statements.

## CITY YEAR, INC.

## Statement of Functional Expenses

Year ended June 30, 2015

	<u>Program services</u>	<u>Organizational support</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses:				
Staff salaries	\$ 37,696,784	6,475,310	8,426,004	52,598,098
Corp member stipends	35,725,929	—	—	35,725,929
Payroll taxes and employee benefits	11,589,276	949,839	1,365,712	13,904,827
	<u>85,011,989</u>	<u>7,425,149</u>	<u>9,791,716</u>	<u>102,228,854</u>
Other expenses:				
Consulting and professional services	6,930,281	2,014,279	1,098,989	10,043,549
Transportation, travel, and lodging	5,014,332	413,300	450,846	5,878,478
Conferences and training seminars	182,524	57,868	46,757	287,149
Advertising and recruiting	476,827	81,398	96,132	654,357
Materials and supplies	4,254,879	196,535	908,753	5,360,167
Information technology	839,750	1,870,162	79,120	2,789,032
Telecommunications	1,299,820	555,371	32,972	1,888,163
Dues and fees	84,131	195,930	212,633	492,694
Occupancy and insurance	4,807,753	555,186	24,879	5,387,818
Event venue expense	1,493,191	4,120	2,538,446	4,035,757
Interest	131,767	174,945	11,661	318,373
Depreciation and amortization	533,239	1,433,171	95,527	2,061,937
	<u>26,048,494</u>	<u>7,552,265</u>	<u>5,596,715</u>	<u>39,197,474</u>
Total expenses	<u>\$ 111,060,483</u>	<u>14,977,414</u>	<u>15,388,431</u>	<u>141,426,328</u>

See accompanying notes to financial statements.

**CITY YEAR, INC.**  
**Statements of Cash Flows**  
**Years ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase in net assets	\$ 5,186,250	1,920,964
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,062,725	2,061,937
Realized and unrealized net gains on investments	305,064	(12,200)
Changes in fair value of interest-rate swaps	(25,882)	(118,588)
Contributions of property and equipment	—	(103,930)
Contributions restricted for long-term investment	(100,000)	(100,000)
Changes in operating assets and liabilities:		
Government grants receivable, net	(729,334)	(1,239,383)
Contributions receivable, net	(1,906,870)	(1,299,460)
Other assets	(775,294)	267,725
Accounts payable and accrued expenses	(360,617)	1,251,908
Accrued payroll and related expenses	352,901	611,861
Net cash provided by operating activities	<u>4,008,943</u>	<u>3,240,834</u>
Cash flows from investing activities:		
Purchases of investments	(345,000)	(445,000)
Sale of investment	550,000	—
Purchases of equipment	(681,288)	(1,541,909)
Net cash used in investing activities	<u>(476,288)</u>	<u>(1,986,909)</u>
Cash flows from financing activities:		
Repayments of bond payable	(250,000)	(240,000)
Contributions restricted for long-term investment	100,000	100,000
Net cash used in financing activities	<u>(150,000)</u>	<u>(140,000)</u>
Net increase in cash and equivalents	3,382,655	1,113,925
Cash and equivalents, beginning of year	<u>24,377,585</u>	<u>23,263,660</u>
Cash and equivalents, end of year	<u>\$ 27,760,240</u>	<u>24,377,585</u>
Supplemental data:		
Cash paid for interest	\$ 308,023	309,486

See accompanying notes to financial statements.

## CITY YEAR, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

**(1) Organization Background and History**

City Year Inc. (the Organization or City Year) was founded in Boston, Massachusetts in 1988 and now operates in twenty-six locations across the United States, including Columbia, SC, Providence, RI, Chicago, IL, Columbus, OH, San Jose, CA, San Antonio, TX, Cleveland, OH, Philadelphia, PA, Seattle, WA, Detroit, MI, Washington, DC, Manchester, NH, New York City, NY, Little Rock, AR, Baton Rouge, LA, New Orleans, LA, Los Angeles, CA, Miami, FL, Milwaukee, WI, Denver, CO, Orlando, FL, Sacramento, CA, Jacksonville, FL, Tulsa, OK, and Dallas, TX. In 2005, City Year established its first international program, City Year South Africa Citizen Service Organization, in Johannesburg, South Africa and in 2009, City Year collaborated with an organization in the UK to establish a second international City Year program with operations in London, Manchester, and Birmingham.

City Year's vision is that one day the most commonly asked question of a young person will be, "Where are you going to do your service year?" City Year supports this vision in three primary ways:

- (a) The City Year youth service corps annually unites young people age 17 – 24 for a year of full-time community service and leadership development at locations across the country. As tutors, mentors and role models, they help students and schools succeed, and embody the power of national service to address pressing domestic issues.
- (b) City Year seeks to inspire citizen service with high-impact community events that engage people and institutions through major physical service projects – such as renovating schools, refurbishing playgrounds and painting over graffiti with murals.
- (c) City Year promotes citizen service and builds awareness of and support for increasing service opportunities by engaging policy makers and convening service organizations.

**(2) Summary of Significant Accounting Policies****(a) Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained in perpetuity and represents the historic value of donor-restricted endowments funds.



## CITY YEAR, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions, including time restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Expirations of temporary restrictions occur when donor-imposed stipulated purposes have been accomplished and/or the stipulated time period has elapsed. If an expense is incurred for a purpose for which both unrestricted and temporarily restricted net assets are available, a donor-imposed restriction is fulfilled to the extent of the expense incurred unless the expense is incurred for a purpose that is directly attributable to another specific external source of revenue.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions and earnings subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted revenue. Promises from donors that are scheduled to be received after the statement of financial position date are shown as increases in unrestricted net assets or temporarily restricted net assets. Temporarily restricted net assets are reclassified to unrestricted net assets when the purpose or time restrictions are met. Promises from donors subject to stipulations that the original gift be maintained permanently are shown as increases in permanently restricted net assets. Conditional promises are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at the appropriate rate commensurate with the risks and duration involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any.

Dividends, interest, and net unrealized gains (losses) on long-term investments are reported as follows:

- increases in permanently restricted net assets if the terms of the contributions required these to be added to principal;
- increases (decreases) in temporarily restricted net assets if the terms of the contributions impose restrictions on the use of the income and gains; or
- increases (decreases) in unrestricted net assets in all other cases.

**(b) *Operating and Nonoperating Activities***

The statements of activities report all changes in net assets, including changes in unrestricted net assets from operating and nonoperating transactions. Operating revenues consist of those items attributable to City Year's ongoing service efforts. Unrestricted contributions are reported as operating revenues. City Year's spending rule allows for the expenditure of up to 4.5% of the average investment balance of certain qualifying investments for the trailing eight quarters, starting with March 31st of the prior fiscal year, to fund operations. Board-designated surplus funds appropriated for spending by the Board of Trustees are also presented as operating revenue. The amount of board-designated surplus available for appropriations is defined as total unrestricted net assets in excess of 10% budgeted expenses for the upcoming fiscal year, less property and equipment net of related debt. For the years

## CITY YEAR, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

ended June 30, 2016 and 2015, City Year authorized \$530,000 and \$2,414,000, respectively, for operations. The balance of board designated surplus available for appropriation as of June 30, 2016 and 2015 was \$18,142,707 and \$15,079,594, respectively.

Certain amounts included in operations as defined for purposes of the statements of activities differ from amounts reported as cash flows from operating activities. Investment return in excess of amounts authorized for operations, unrealized net gains or losses from changes in fair value of interest rate swaps, board-designated surplus funds appropriated for spending, and any contributions received for nonoperating purposes are reported as nonoperating items in the statements of activities.

**(c) Cash and Cash Equivalents**

For purposes of the statements of cash flows, cash and equivalents consist of cash, money market mutual funds and short-term investments with original maturity dates of three months or less at date of acquisition.

**(d) Investments**

Investments are reported at fair value. Shares in registered funds are based on published share values reported by the funds. The fair value of land held for investment are estimated based on appraisals and a broker opinion of value.

**(e) Property and Equipment**

Property and equipment are stated at cost, except for donated assets, which are recorded at fair value at the date of gift. Ordinary repairs and maintenance are expensed as incurred. Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives:

Building	40 years
Furniture and fixtures	3–15 years
Equipment and software	3–10 years
Leasehold improvements	Shorter of life of lease or improvements

**(f) Contributed Goods and Professional Services**

Contributed goods and professional services are reflected as contributions in the accompanying statements of activities at their estimated fair value at the date received or provided.

**(g) Program Services**

Program services consist of expenses related to operations, education, training, corps member development, new site development, special events, external affairs, and organizational development.

**(h) Derivative Instruments**

City Year utilizes interest-rate swap agreements to effectively convert a portion of its long-term variable-rate debt to fixed rates and not for speculative purposes. FASB ASC 815, *Derivatives and*

## CITY YEAR, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

*Hedging*, requires the swaps' fair value and changes therein to be recognized in the financial statements. Differences between the fixed and variable rates in effect at each interest due date are settled net under each swap, increasing or decreasing interest expense. The net termination value (cost) of each swap is measured at each reporting date and presented as an asset (liability) using techniques such as discounted cash flow analysis and option pricing models that incorporate assumptions about future market interest or exchange rates, as appropriate.

**(i) Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

**(j) Bond Issuance Costs**

Bond issuance costs are deferred and recorded within other assets and are amortized over the contractual terms of the related bonds.

**(k) Allocations**

The Organization reports expenses by their functional classification. Expenses related directly to a program are charged to that program while indirect expenses are allocated principally on time and effort related to that function.

**(l) Tax Status**

The Organization generally does not provide for income taxes since it is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

ASC 740, *Income Taxes*, permits an entity to recognize the benefit and requires accrual of an uncertain tax position only when the position is "more likely than not" to be sustained in the event of examination by tax authorities. In evaluating whether a tax position has met the recognition threshold, the Organization must presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. ASC 740 also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. Tax positions deemed to meet the "more-likely than-not" threshold are recorded as a tax expense in the current year. There were no uncertain tax positions as of June 30, 2016 and 2015.

**CITY YEAR, INC.**  
Notes to Financial Statements  
June 30, 2016 and 2015

**(3) Temporarily Restricted Net Assets**

Temporarily restricted net assets consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Time restrictions	\$ 12,797,968	9,651,396
Purpose restrictions	792,970	2,393,657
Board-designated endowment funds	3,261,118	3,016,117
Accumulated unspent return on endowment funds:		
Donor-restricted	1,040,665	1,608,671
Board-designated	317,491	583,435
Total	<u>1,358,156</u>	<u>2,192,106</u>
	<u>\$ 18,210,212</u>	<u>17,253,276</u>

Unexpended cash received from donors in fiscal year 2016 and 2015 for expenditures expected in subsequent fiscal years totaled \$6,825,531 and \$6,548,326, respectively.

**(4) Permanently Restricted Net Assets**

Permanently restricted net assets at June 30 consisted of endowment gifts whose income is restricted for the following purpose:

	<u>2016</u>	<u>2015</u>
Donor-restricted endowment funds – program sponsorships	\$ 6,081,653	5,981,653

**(5) Net Assets Released from Restrictions**

Net assets released from restrictions consisted of the following for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Expiration of time restrictions	\$ 6,911,670	7,431,100
Satisfaction of purpose restrictions	1,799,056	130,000
	<u>\$ 8,710,726</u>	<u>7,561,100</u>

## CITY YEAR, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

**(6) In-Kind Contributions**

Contributed goods and services included in program and support services during the years ended June 30 were for the following purposes:

Nature	2016	2015
Program services:		
Transportation and travel	\$ 663,576	674,421
Rent	210,296	211,596
Materials and supplies	—	9,804
Food	—	29,416
Total program services	<u>873,872</u>	<u>925,237</u>
Support services:		
Professional services	708,296	819,678
Rent	52,574	52,899
Total support services	<u>760,870</u>	<u>872,577</u>
Total	<u>\$ 1,634,742</u>	<u>1,797,814</u>

Contributions of land, equipment, and improvements in 2016 and 2015 were \$0 and \$103,930, respectively.

**(7) Investments**

GAAP establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 – Valuations based on quoted prices in less active, dealer or broker markets. Fair values are primarily obtained from third party pricing services for identical or comparable assets or liabilities.
- Level 3 – Valuations derived from other valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and not based on market, exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and significant professional judgment in determining the fair value assigned to such assets or liabilities.

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

## CITY YEAR, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

City Year invests in the TIFF Multi-Asset Fund (MAF) managed by The Investment Fund for Foundations (TIFF) Investment Program Inc., which is registered under the Investment Act of 1940 with the Securities and Exchange Commission. MAF prices and makes funds available for redemption daily.

The following table summarizes the classification of the Organization's investments in accordance with the fair value hierarchy as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
MAF (Level 1)	\$ 12,419,422	12,434,486
Land held for investment (Level 3)	—	495,000
Total investments	<u>\$ 12,419,422</u>	<u>12,929,486</u>

The fair value of land held for investment was estimated based on appraisals and a broker opinion of value.

The following are the components of the return on investments for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Dividends and interest	\$ 136,864	125,163
Realized and unrealized net gains on investments	<u>(441,928)</u>	<u>(112,963)</u>
Total return on investments	<u>\$ (305,064)</u>	<u>12,200</u>

Following is a reconciliation of total investment return to amounts reported in the statements of activities for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Investment return utilized for operations	\$ 519,253	469,799
Realized gain on land investment	55,000	—
Unrealized gain on land investment	—	95,000
Investment return below amounts utilized for operations – nonoperating	(45,367)	(637)
Return on endowments not utilized – temporarily restricted	<u>(833,950)</u>	<u>(551,962)</u>
Total return on investments	<u>\$ (305,064)</u>	<u>12,200</u>

## CITY YEAR, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

**(8) Endowment**

City Year's endowment consists of approximately 15 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**(a) Interpretation of Relevant Law**

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of a donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

**CITY YEAR, INC.**  
Notes to Financial Statements  
June 30, 2016 and 2015

Endowment net assets consisted of the following at June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	1,040,665	6,081,653	7,122,318
Board-designated endowment funds	<u>1,718,496</u>	<u>3,578,608</u>	<u>—</u>	<u>5,297,104</u>
Total	<u>\$ 1,718,496</u>	<u>4,619,273</u>	<u>6,081,653</u>	<u>12,419,422</u>

Endowment net assets consisted of the following at June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	1,608,671	5,981,653	7,590,324
Board-designated endowment funds	<u>1,244,610</u>	<u>3,599,552</u>	<u>—</u>	<u>4,844,162</u>
Total	<u>\$ 1,244,610</u>	<u>5,208,223</u>	<u>5,981,653</u>	<u>12,434,486</u>

Changes in endowment net assets for the year ended June 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2015	\$ 1,244,610	5,208,223	5,981,653	12,434,486
Investment return:				
Interest and dividends	—	136,864	—	136,864
Net appreciation	<u>(45,367)</u>	<u>(451,561)</u>	<u>—</u>	<u>(496,928)</u>
Total investment return	(45,367)	(314,697)	—	(360,064)
Transfers in	519,253			519,253
Contributions	—	245,000	100,000	345,000
Endowment return appropriated	<u>—</u>	<u>(519,253)</u>	<u>—</u>	<u>(519,253)</u>
Endowment net assets, June 30, 2016	<u>\$ 1,718,496</u>	<u>4,619,273</u>	<u>6,081,653</u>	<u>12,419,422</u>



## CITY YEAR, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

Changes in endowment net assets for the year ended June 30, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2014	\$ 775,448	5,415,185	5,881,653	12,072,286
Investment return:				
Interest and dividends	—	125,163	—	125,163
Net appreciation	(637)	(207,326)	—	(207,963)
Total investment return	(637)	(82,163)	—	(82,800)
Transfers in	469,799	—	—	469,799
Contributions	—	345,000	100,000	445,000
Endowment return appropriated	—	(469,799)	—	(469,799)
Endowment net assets, June 30, 2015	<u>\$ 1,244,610</u>	<u>5,208,223</u>	<u>5,981,653</u>	<u>12,434,486</u>

**(b) Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$45,367 and \$637 as of June 30, 2016 and 2015, respectively. Subsequent gains that restore the fair value of the assets of the endowment funds to the required level are classified as an increase in unrestricted net assets.

**(c) Return Objectives and Risk Parameters**

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organizations must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of relative benchmarks while assuming a moderate level of investment risk. The Organization expects its endowment funds to provide, over the long term (rolling three – to five year periods) an average annual total return (net of fees), equal to the spending rate plus inflation, defined as the Consumer Price Index. Actual returns in any given year may vary from this amount.

## CITY YEAR, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

**(d) Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on investments in equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**(e) Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Organization has a policy of appropriating for distribution each year up to 4.5% of its endowment funds' average fair value over the prior eight quarters through the quarter ending March 31st preceding the fiscal year in which the distribution is planned. The Board of Trustees elected to appropriate distributions for operations of \$469,799 in fiscal 2015. The Board of Trustees elected to appropriate distributions for operations of \$519,253 in fiscal 2016. These amounts are classified as unrestricted operating revenue in the statement of activities. In establishing these policies, the Organization considered the long-term expected return on its endowment. Accordingly, the Organization expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts plus inflation, defined as the Consumer Price Index. Additional real growth will be provided through new gifts and any excess investment return.

**(9) Contributions Receivable**

Contributions receivable consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Unrestricted	\$ 939,363	796,573
Restricted to future periods	<u>7,452,666</u>	<u>5,608,000</u>
	<u>\$ 8,392,029</u>	<u>6,404,573</u>

Contributions receivable were scheduled to be received as followed as of June 30:

	<u>2016</u>	<u>2015</u>
Due within one year	\$ 4,884,696	3,828,573
Due within two to five years	<u>3,507,333</u>	<u>2,576,000</u>
	8,392,029	6,404,573
Less present value discount (ranging from 3.71% to 6.25%) and other allowances	<u>(686,859)</u>	<u>(606,273)</u>
	<u>\$ 7,705,170</u>	<u>5,798,300</u>

**CITY YEAR, INC.**  
Notes to Financial Statements  
June 30, 2016 and 2015

**(10) Property and Equipment**

Property and equipment consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Land	\$ 4,884,000	4,884,000
Building	12,803,928	12,803,928
Furniture, fixtures and equipment	2,970,508	2,648,813
IT hardware and IT software	7,817,702	7,712,994
Leasehold improvements	1,775,710	1,711,969
	<u>30,251,848</u>	<u>29,761,704</u>
Less accumulated depreciation and amortization	<u>(11,524,743)</u>	<u>(9,657,164)</u>
	<u>\$ 18,727,105</u>	<u>20,104,540</u>

**(11) Federal Grants**

City Year received grant awards from the Corporation for National and Community Service (CNCS) totaling \$33,999,681 and \$33,503,486 for fiscal years 2016 and 2015, respectively. The funds were awarded through the AmeriCorps program administered by CNCS. Funds expended and recognized as revenue in fiscal year 2016 and 2015 totaled \$33,942,136 and \$33,111,983, respectively.

The Organization's federal grant programs are subject to financial and compliance audits in accordance with Office of Management and Budget Circular Uniform Guidance and applicable compliance supplement addendum. In addition, various federal, state, and private funding agencies reserve the right to perform separate program audits. Management does not believe that any potential liability resulting from these audits would have a material effect on the financial position of City Year.

**(12) Leases**

Rental expense for office space was \$3,542,012 and \$3,284,298 for the years ended June 30, 2016 and 2015, respectively, exclusive of certain in-kind arrangements. Lease arrangements with an original term of more than one year expire on various dates through 2026.

**CITY YEAR, INC.**  
Notes to Financial Statements  
June 30, 2016 and 2015

Future minimum lease payments under operating leases as of June 30, 2016 are as follows:

	<u>Amount due</u>
Fiscal years ending June 30:	
2017	\$ 3,081,509
2018	2,880,690
2019	2,963,044
2020	2,599,869
2021	1,359,579
Thereafter	<u>2,025,756</u>
	<u>\$ 14,910,447</u>

The Organization is also responsible for reimbursing certain real estate taxes and operating costs under certain of the office lease terms.

**(13) Credit Facility**

The Organization has a credit facility with Bank of America, N.A. (BoA). The credit facility is secured by all assets of the Organization, except for the portion of assets equal to the amount of permanently restricted net assets.

The Organization has a committed line of credit (the Line) under the facility of \$6,000,000 with a maturity date of March 31, 2017. City Year has the option of borrowing at BoA's prime lending rate plus a lender's margin or at the LIBOR rate plus a lender's margin. The lender's margin is adjusted based upon specified compliance levels as determined under City Year's debt service coverage ratio as defined in the agreement. The Line contains certain financial covenants, including a debt service coverage ratio requirement, an annual clean-up period, and a limitation on the amount of the Organization's annual capital expenditures. The Organization was in compliance with such covenants at June 30, 2016 and 2015. There were no borrowings under the Line during the years ended June 30, 2016 and 2015.

**(14) Long-Term Debt**

**(a) Bonds Payable**

City Year entered into a Loan and Security Agreement, dated May 1, 2013, with Massachusetts Development Finance Agency, Banc of America Public Capital Corp., and Bank of America, N.A. This agreement provided, among other things, for the issuance of Massachusetts Development Finance Agency Revenue Bonds, City Year Issue, Series 2013, in the aggregate principal amount of \$8,100,000. City Year used the proceeds from the issuance of those bonds to refund the outstanding amount of the Variable Rate Demand Revenue Bonds, City Year Issue, Series 2006, issued in the original principal amount of \$9,000,000, and to pay certain costs of issuance totaling \$114,718, which are included in other assets and are being amortized over the life of the new bonds. The bonds were purchased by Banc of America Public Capital Corp. as a Nonbank qualified tax exempt loan facility, with a put term of five years from the date of closing, May 7, 2013.

## CITY YEAR, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

The bond matures through July 1, 2036 and bears interest at a tax exempt rate equal to 67% of the 30-day BBA LIBOR plus the Applicable Margin. The interest rate at June 30, 2016 and 2015 was 0.9060% and 0.7233%, respectively. The debt repayment schedule provides for principal payments beginning June 1, 2013 and continuing over the remainder of the term.

Payment of the principal and interest on the bonds is secured by a mortgage on the real property located at 287 Columbus Avenue, Boston, Massachusetts.

In addition to and in conjunction with the Loan and Security Agreement, City Year entered into a Continuing Covenants Agreement with Banc of America Public Capital Corp., and other related agreements, dated May 7, 2013. The agreement contains certain financial covenants, including a ratio requirement, minimum liquidity requirement, and limitations on the amount of annual capital expenditures. The Organization was in compliance with such covenants at June 30, 2016 and 2015.

Aggregate scheduled annual principal repayments for bonds payable as of June 30, 2016 were as follows:

	<u>Amount due</u>
Fiscal years ending June 30:	
2017	\$ 260,000
2018	225,000
2019	235,000
2020	245,000
2021	260,000
Thereafter	6,160,000
Total	<u>\$ 7,385,000</u>

**(b) Interest Rate Swaps**

City Year has two interest rate swap agreements with BoA to mitigate its exposure to variability in interest payments on the bonds payable. The terms of the swap agreements were as follows at June 30, 2016 and 2015:

<u>Counterparty</u>	<u>Effective date</u>	<u>Expiration date</u>	<u>Remaining notional amount</u>	<u>Swap fixed rate</u>	<u>Liability fair value at June 30</u>	
					<u>2016</u>	<u>2015</u>
Bank of America, N.A.	07/01/06	07/01/26	\$ 1,860,000	4.210%	\$ (484,233)	(409,002)
Bank of America, N.A.	07/01/06	05/01/18	5,435,000	3.205%	(278,504)	(379,617)
			<u>\$ 7,295,000</u>		<u>\$ (762,737)</u>	<u>(788,619)</u>

## CITY YEAR, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

While the swaps' fair values were zero at inception of the agreements, interest rate volatility, remaining outstanding principal, and time to maturity will affect each swap's fair value at subsequent reporting dates. The fair value of the liability as of June 30, 2016 and 2015 represents the amount City Year would have had to pay BoA to terminate the swaps as of that date. To the extent City Year holds a swap through its expiration date, the swap's fair value will reach zero. Interest payable or receivable under the swaps settles monthly. Because the swap fair values are based predominantly on observable inputs that are corroborated by market data, they are categorized in Level 2 of the fair value hierarchy. Changes in fair value of interest-rate swaps for the period ending June 30, 2016 and 2015 were \$25,883 and \$118,588, respectively.

**(15) Retirement Plans**

The Organization participates in the City Year 401(k) Savings Plan (the Plan), which is a defined contribution plan covering all employees of City Year who have at least six months of service with the Organization. Employer contributions are fully vested when made. Matching contributions are made in an amount equal to 100% of the first 3% of eligible compensation and 50% of the next 2% of eligible compensation for total matching contributions of up to 4% each pay period. Employer matching contributions for the years ended June 30, 2016 and 2015 were \$1,406,350 and \$1,237,770, respectively.

City Year has established an Internal Revenue Code Section 457(b) plan for a limited number of the Organization's top management employees. Under this plan, participating employees can elect to defer compensation within the Internal Revenue Code limits. The Organization will pay the deferred compensation under this Plan upon the employee leaving the Organization or under certain conditions outlined in the Plan. The compensation deferred under this plan is credited with earnings or losses measured by the mirrored rate of return on the investments selected by the participant. The deferred compensation had a market value as of June 30, 2016 and 2015 of \$150,022 and \$88,892, respectively.

**(16) Affiliations**

City Year is affiliated with international programs in Johannesburg, South Africa and in London, Manchester, and Birmingham in the UK which are legally separate from City Year and separately governed. Accordingly, the financial records of the organizations are not consolidated herein.

**(17) Subsequent Events**

In connection with the preparation of these financial statements, the Organization evaluated subsequent events after the statement of financial position date of June 30, 2016 through October 26, 2016, which was the date the financial statements were issued. No subsequent events were noted.

**CITY YEAR, INC.**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2016**

<b>Federal grantor/pass-through program/program title</b>	<b>Federal CFDA number</b>	<b>Federal expenditures</b>	<b>Passed Through to Subrecipients</b>
Corporation for National Service			
AmeriCorps Program			
Direct Funding			
#15NDHMA001	94 006	\$ 8,032,570	\$ —
#13WNHMA003	94 006	1,460,040	—
Passed through California Volunteers			
#15ACHCA0020008 - Competitive	94 006	2,476,165	—
Passed through DC Serves			
#12ACHDC0010002 - Competitive	94 006	1,482,000	—
Passed through Department of Labor and Industry – Penn Serve			
#15ACHPA0010001 - Competitive	94 006	2,297,165	—
Passed through Illinois Department of Human Services			
#14ACHIL0010001 - Competitive	94 006	2,106,668	—
Passed through Louisiana Serve Commission			
#15ACHLA0010001 - Competitive	94 006	1,221,420	—
Passed through Massachusetts Service Alliance			
#15ACHMA0010002 - Competitive	94 006	2,543,690	—
Passed through Michigan Department of Human Services			
#12ACHMI0010004 - Competitive	94 006	843,664	—
Passed through New York State Commission on National and Community Service			
#12ACHNY0010002 - Competitive	94 006	2,774,950	—
#15ACHNY0010003 - Diplomas Now	94 006	460,000	—
Passed through Ohio Governor’s Community Service Council			
#15ACHOH0010001 (Cleveland) - Competitive	94 006	560,284	—
#15ACHOH0010002 (Columbus) - Competitive	94 006	403,405	—
Passed through Oklahoma Community Service Commission			
#14ESHOK0010001 - Competitive	94 006	604,938	—
Passed through OneStar Foundation			
#14ESHTX0010001 (Dallas) - Competitive	94 006	522,659	—
#15ACHTX0010004 (San Antonio) - Competitive	94 006	1,299,859	—
Passed through United Way Commission for National & Community Service			
#15ESHSC0010001 - Competitive	94 006	256,264	—
Passed through Volunteer Florida			
#15ACHFL0020003 (Jacksonville) - Competitive	94 006	1,102,287	—
#12ACHFL0010001 (Miami) - Competitive	94 006	775,528	—
#12AFHFL0010026 (Miami) - Formula	94 006	1,231,287	—
#15ACHFL0010002 (Orlando) - Competitive	94 006	559,232	—
Passed through Volunteer New Hampshire			
#13AFHNH0010004 - Competitive	94 006	550,621	—
#12ACHNH0010001 - Formula	94 006	323,562	—
Total AmeriCorps Program		<u>33,888,258</u>	<u>—</u>
Temporary Assistance for Needy Families Cluster (TANF)			
U.S. Department of Economic Opportunity			
Passed through the City of Miami, Florida	93 558	177,887	—
U.S. Department of Health and Human Services			
Passed through the City of Columbus, Ohio	93 558	150,000	—
Total Temporary Assistance for Needy Families Cluster		<u>327,887</u>	<u>—</u>
Community Development Block Grants/Entitlement Grants Cluster (CDBG)			
U.S. Department of Housing and Urban Development			
Passed through the City of Columbia, South Carolina	14 218	46,543	—
Passed through the City of Manchester, New Hampshire	14 218	150,000	—
Passed through the City of Providence, Rhode Island	14 218	22,500	—
Total Community Development Block Grants/Entitlement Grants Cluster		<u>219,043</u>	<u>—</u>
Other Federal Financial Assistance			
U.S. Department of Education			
Passed through DC Promise Neighborhood Initiative Five Promises for Two Generations	84 215N	200,000	—
Passed through San Antonio United Way	84 215N	145,000	—
Total other federal financial assistance		<u>345,000</u>	<u>—</u>
Total expenditures of federal awards		<u>\$ 34,780,188</u>	<u>\$ —</u>

See accompanying notes to schedule of expenditures of federal awards

**CITY YEAR, INC.**

Notes to Schedule of Expenditure of Federal Awards

Year ended June 30, 2016

**(1) Definition of Reporting Entity**

The accompanying schedule of expenditures of federal awards presents expenditures of all federal awards programs of City Year, Inc. (City Year), whether received directly from Federal agencies or passed through other entities.

**(2) Basis of Presentation**

The accompanying schedule of expenditures of federal awards is presented using on the accrual basis of accounting and in accordance with the requirements of Uniform Guidance.



CITY YEAR, INC.  
 Schedule of Compensation, Benefits, and Other Payments to Agency Head  
 (Unaudited)  
 Year ended June 30, 2016

Agency Head Name: Michael Brown, Chief Executive Officer

Purpose	Amount
Salary	\$ —
Benefits - insurance	—
Benefits - retirement	—
Benefits - other	—
Car allowance	—
Vehicle provided by government	—
Per diem	—
Reimbursements	—
Travel	—
Registration fees	—
Conference travel	—
Continuing professional education fees	—
Housing	—
Unvouchered expenses	—
Special Meals	—
Other	—
Total	—

In accordance with the State of Louisiana regulation R.S. 24:513(A)(3), this schedule represents public funds utilized for the compensation, benefits, and other payments to the Agency Head.

See accompanying independent auditors' report.