



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, 2023

(With Independent Auditors' Reports Thereon)

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, 2023

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

Exhibit I

**Independent Auditors' Report on Compliance for the Major Program
and Report on Internal Control over Compliance Required by Uniform Guidance**

The Board of Trustees
City Year, Inc.:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited City Year, Inc.'s (City Year's) compliance with the types of compliance requirements identified as subject to audit 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, 2023. City Year's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, City Year complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City Year and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of City Year's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City Year's federal program.



Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City Year's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City Year's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City Year's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City Year's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City Year's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.



Exhibit I

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KPMG LLP

Boston, Massachusetts
November 15, 2023



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 City Year's statement of financial position as of June 30, 2023, 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 November 15, 2023.

Report on 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) as a basis for designing 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

KPMG LLP

Boston, Massachusetts
November 15, 2023

CITY YEAR, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported

Noncompliance material to the financial statements noted?

Yes No

Federal Award

Internal control over major program:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported

Type of auditors' report issued on compliance for major program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of The Uniform Guidance?

Yes No

Identification of major programs:

**Assistance
listing
number**

AmeriCorps Program

94.006

Dollar threshold used to distinguish between Type A and Type B programs:

\$1,139,711

Auditee qualified as low-risk auditee:

Yes No

CITY YEAR, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

(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.



Exhibit IV

CITY YEAR, INC.

Financial Statements

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)



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Boston, MA 02111

Exhibit IV

Independent Auditors' Report

The Board of Trustees
City Year, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of City Year, Inc. (City Year), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of City Year as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City Year and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City Year's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



Exhibit IV

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City Year's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City Year's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matter

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 expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2023 on our consideration of City Year'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 solely 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 the effectiveness of City Year's 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's internal control over financial reporting and compliance.

KPMG LLP

Boston, Massachusetts
November 15, 2023

CITY YEAR, INC.

Statements of Financial Position

June 30, 2023 and 2022

Assets	2023	2022
Cash and equivalents	\$ 18,115,698	48,496,706
Government grants receivable, net	30,580,503	18,041,762
Contributions receivable, net (note 9)	1,124,542	—
Other assets	6,082,659	3,319,098
Restricted cash (note 13)	169,801	169,801
Investments, at fair value (note 7)	23,601,341	20,991,074
Interest rate swaps (note 14)	138,780	34,373
Right-of-use asset	13,062,188	16,588,586
Property and equipment, net (note 10)	14,757,443	14,986,354
Total assets	\$ 107,632,955	122,627,754
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,377,039	6,015,909
Accrued payroll and related expenses	4,850,387	7,344,874
Lease liability (note 12)	14,073,672	17,729,708
Interest rate swaps (note 14)	37,191	109,695
Bonds payable (note 14)	5,615,000	5,895,000
Total liabilities	27,953,289	37,095,186
Commitments and contingencies (notes 11, 12, and 14)		
Net assets:		
Without donor restrictions	65,348,038	66,853,563
With donor restrictions (note 4)	14,331,628	18,679,005
Total net assets	79,679,666	85,532,568
Total liabilities and net assets	\$ 107,632,955	122,627,754

See accompanying notes to financial statements.

CITY YEAR, INC.

Statements of Activities

Years ended June 30, 2023 and 2022

	2023	2022
Changes in net assets without donor restrictions		
Operations		
Revenues and other support:		
Contributions of cash and other financial assets	\$ 67,423,983	88,304,841
Contributions of nonfinancial assets (note 6)	841,098	287,794
Federal grants – Corporation for National and Community Service (note 11)	36,825,976	48,182,850
School district and other government grants	56,206,621	37,761,753
Investment return utilized for operations (note 8)	1,023,498	845,020
Other income	417,682	193,400
Board designated surplus funds authorized for operations	13,208,498	5,519,000
Net assets released from restrictions (note 5)	12,738,719	16,805,556
Total operating revenues and other support	188,686,075	197,900,214
Expenses (note 6):		
Program services	138,325,584	138,331,472
Supporting services:		
Organizational support	20,863,541	15,535,725
Fundraising	18,919,555	15,406,644
Total expenses	178,108,680	169,273,841
Change in net assets without donor restrictions from operations	10,577,395	28,626,373
Nonoperating transactions:		
Board designated surplus funds authorized for operations	(13,208,498)	(5,519,000)
Investment return on endowments (note 7)	1,506,554	(2,154,093)
Investment return utilized for operations (note 8)	(557,887)	(542,478)
Unrealized net (loss)/gain on changes in fair value of interest-rate swaps (note 14)	176,911	359,236
Change in net assets without donor restrictions from nonoperating transactions	(12,082,920)	(7,856,335)
Change in net assets without donor restrictions	(1,505,525)	20,770,038
Changes in net assets with donor restrictions:		
Contributions of cash and other financial assets	7,753,240	10,444,655
Investment return on endowments (note 7)	1,103,713	(1,684,081)
Investment return utilized for operations (note 8)	(465,611)	(302,542)
Net assets released from restrictions (note 5)	(12,738,719)	(16,805,556)
Change in net assets with donor restrictions	(4,347,377)	(8,347,524)
Change in net assets	(5,852,902)	12,422,514
Net assets, beginning of year	85,532,568	73,110,054
Net assets, end of year	\$ 79,679,666	85,532,568

See accompanying notes to financial statements.

CITY YEAR, INC.

Statement of Functional Expenses

Year ended June 30, 2023

	<u>Program services</u>	<u>Organizational support</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses:				
Staff salaries	\$ 62,331,201	10,215,677	10,322,067	82,868,945
Corp member stipends	32,852,641	—	48,492	32,901,133
Payroll taxes and employee benefits	16,644,902	2,539,574	1,913,119	21,097,595
	<u>111,828,744</u>	<u>12,755,251</u>	<u>12,283,678</u>	<u>136,867,673</u>
Other expenses:				
Consulting and professional services	7,000,032	3,735,814	1,961,523	12,697,369
Transportation, travel, and lodging	2,388,970	307,227	256,241	2,952,438
Conferences and training seminars	259,261	52,976	39,834	352,071
Advertising and recruiting	3,342,215	163,484	604,300	4,109,999
Materials and supplies	3,853,383	623,438	2,075,415	6,552,236
Information technology	1,821,750	1,867,887	75,094	3,764,731
Telecommunications	650,243	106,705	66,570	823,518
Dues and fees	425,835	223,967	133,853	783,655
Occupancy and insurance	5,558,026	590,807	17,330	6,166,163
Event venue expense	532,763	13,984	1,393,311	1,940,058
Interest	104,723	144,341	—	249,064
Depreciation and amortization	559,639	277,660	12,406	849,705
	<u>26,496,840</u>	<u>8,108,290</u>	<u>6,635,877</u>	<u>41,241,007</u>
Total expenses	\$ <u>138,325,584</u>	<u>20,863,541</u>	<u>18,919,555</u>	<u>178,108,680</u>

See accompanying notes to financial statements.

CITY YEAR, INC.

Statement of Functional Expenses

Year ended June 30, 2022

	<u>Program services</u>	<u>Organizational support</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses:				
Staff salaries	\$ 57,917,084	8,964,424	9,879,464	76,760,972
Corp member stipends	39,872,087	—	—	39,872,087
Payroll taxes and employee benefits	18,655,716	1,266,870	1,940,305	21,862,891
	<u>116,444,887</u>	<u>10,231,294</u>	<u>11,819,769</u>	<u>138,495,950</u>
Other expenses:				
Consulting and professional services	3,838,193	1,741,004	1,068,008	6,647,205
Transportation, travel, and lodging	1,476,360	36,112	69,681	1,582,153
Conferences and training seminars	250,766	19,734	12,664	283,164
Advertising and recruiting	4,149,110	186,475	79,615	4,415,200
Materials and supplies	3,096,347	55,692	1,237,270	4,389,309
Information technology	1,375,818	2,132,568	68,829	3,577,215
Telecommunications	527,657	34,035	19,601	581,293
Dues and fees	536,011	235,662	136,153	907,826
Occupancy and insurance	5,686,903	454,950	21,161	6,163,014
Event venue expense	275,000	3,070	869,948	1,148,018
Interest	96,336	133,035	—	229,371
Depreciation and amortization	578,084	272,094	3,945	854,123
	<u>21,886,585</u>	<u>5,304,431</u>	<u>3,586,875</u>	<u>30,777,891</u>
Total expenses	\$ <u>138,331,472</u>	<u>15,535,725</u>	<u>15,406,644</u>	<u>169,273,841</u>

See accompanying notes to financial statements.

CITY YEAR, INC.

Statements of Cash Flows

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (5,852,902)	12,422,514
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	849,705	854,123
Realized and unrealized net (gain) loss on investments	(2,092,331)	3,838,174
Changes in fair value of interest-rate swaps	(176,911)	(359,236)
Contributions restricted for long-term investment	—	(37,500)
Changes in operating assets and liabilities:		
Government grants receivable, net	(12,538,741)	(2,275,587)
Contributions receivable, net	(1,124,542)	183,750
Other assets	(2,763,561)	621,944
Change in operating lease liabilities	(129,638)	88,483
Accounts payable and accrued expenses	(2,638,870)	1,813,884
Accrued payroll and related expenses	(2,494,487)	(2,108,011)
Net cash (used in) provided by operating activities	<u>(28,962,278)</u>	<u>15,042,538</u>
Cash flows from investing activities:		
Purchases of investments	(1,394,766)	(546,264)
Sales of investments	876,830	425,431
Purchases of equipment	(620,794)	(1,387,078)
Net cash used in investing activities	<u>(1,138,730)</u>	<u>(1,507,911)</u>
Cash flows from financing activities:		
Repayments of bond payable	(280,000)	(265,000)
Contributions restricted for long-term investment	—	37,500
Net cash used in financing activities	<u>(280,000)</u>	<u>(227,500)</u>
Change in cash and equivalents and restricted cash	(30,381,008)	13,307,127
Cash and equivalents and restricted cash, beginning of year	<u>48,666,507</u>	<u>35,359,380</u>
Cash and equivalents and restricted cash, end of year	<u>\$ 18,285,499</u>	<u>48,666,507</u>
Supplemental data:		
Cash paid for interest	\$ 249,065	231,811
Non-cash for lease liabilities arising from obtaining ROU assets	2,156,445	6,018,228

See accompanying notes to financial statements.

CITY YEAR, INC.

Notes to Financial Statements

June 30, 2023 and 2022

(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-nine- 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, Dallas, TX, Kansas City, MO, Memphis, TN and Buffalo, NY. 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 United Kingdom to establish a second international City Year program with operations in London, Manchester, and Birmingham.

City Year's vision is to help students and schools succeed, while preparing the next generation of civically engaged leaders who can work across lines of difference. Partnering with teachers, diverse teams of City Year AmeriCorps members cultivate learning environments where all students can build on their strengths, fully engage in their learning, and thrive. City Year supports this vision in three primary ways:

- (a) The City Year youth service corps annually unites young people age 17–25 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:

Without Donor Restrictions – Net assets not subject to donor imposed- stipulations but which may be designated for specific purposes by the Organization's Trustees.

With Donor Restrictions – Net assets subject to donor imposed- stipulations that expire with the passage of time, can be fulfilled by actions pursuant to the stipulations, or which may be perpetual.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor imposed- restrictions, including time restrictions. Expenses are reported as

CITY YEAR, INC.

Notes to Financial Statements

June 30, 2023 and 2022

decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulations or law. Expirations of donor restrictions on net assets are reported as reclassifications between the classes of net assets.

Expirations of donor 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 net assets without donor restriction and net assets with donor restrictions 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.

The endowment component classified as net assets without donor restrictions is comprised of amounts designated by the Board to function as endowments which amount to \$13,753,143 and \$11,780,978 as of June 30, 2023 and 2022, respectively.

(b) Statement of Activities

The statement of activities reports all changes in net assets, including changes in net assets without donor restrictions from operating and nonoperating transactions. Operating revenues consist of those items attributable to City Year's ongoing service efforts. Contributions without donor restrictions 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 net assets without donor restrictions in excess of 10% budgeted expenses for the upcoming fiscal year, less property and equipment net of related debt. For the years ended June 30, 2023 and 2022, City Year authorized \$13,208,498 and \$5,519,000, respectively, for operations. The balance of board designated surplus available for appropriation as of June 30, 2023 and 2022 was \$28,108,677 and \$32,579,085, respectively for the 29 City Year locations with City Year Headquarters included.

The Organization follows the provisions of ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, the Organization follows the provisions of ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), which provides guidance as to whether the entity should account for a grant (or similar transaction) as a contribution or as an exchange transaction. A summary of the Organization's specific revenue recognition practices follows:

- Grants awarded by federal and other sponsors, which generally are considered nonexchange transactions restricted by sponsors for certain purposes, are recognized as revenue when qualifying expenditures are incurred or other conditions under the agreements are met. The Organization has elected the simultaneous release policy available under ASU 2018-08, which allows a not-for-profit- organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. Payments received in advance of expenditures are recorded as deferred revenue until expended.

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- Revenue from contracts with customers is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which we expect to be entitled in exchange for those good or services (i.e. the transaction price). Services provided under school contracts are provided during the program year, which generally aligns with the Organization's fiscal year.
- Unconditional contributions, including unconditional promises to give, are recognized at fair value and increase net assets in the period received. Written promises to give that are scheduled to be received after the balance sheet date are shown as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the purpose or time restrictions are met. Promises to give subject to donor imposed- stipulations that the corpus be maintained permanently are recognized as increases in net assets with donor restrictions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at rates commensurate with the estimated risk of receipt of the pledge. Amortization of the discount is recorded as additional contribution revenue in the appropriate net asset category. Contributions of assets other than cash are recorded at their estimated fair value.
- Dividends, interest, and net unrealized gains (losses) on long term- investments are reported as (1) increases in net assets with donor restrictions if the terms of the contributions required these to be added to principal of gifts to be held in perpetuity; (2) increases (decreases) in net assets with donor restrictions if the terms of the contributions impose restrictions on the use of the income and gains; or (3) increases (decreases) in net assets without donor restrictions in all other cases.

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.

The following table provides a reconciliation of cash, cash equivalents and restricted cash within the balance sheet that sums to the total of such amounts as shown on the statement of cash flows as of June 30:

	2023	2022
Cash and cash equivalents	\$ 18,115,698	48,496,706
Restricted cash	169,801	169,801
Total cash, cash equivalents and restricted cash	\$ 18,285,499	48,666,507

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Notes to Financial Statements

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(d) Investments

Investments are reported at fair value. Shares in registered funds are based on published share values reported by the funds.

(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) Leasing

City Year determines if an arrangement is a lease at inception. Operating leases as a lessee are included in right-of-use assets and lease obligations in the statement of financial position.

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term. Lease obligations represent City Year's liability to make lease payments arising from the lease. Operating lease right-of-use assets and related obligations are recognized at commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate at the commencement date. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Lease cost for lease payments is recognized on a straight -line basis over the lease term.

(g) Contributed Goods and Professional Services

As more fully described in note 6, 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.

(h) 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.

(i) 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 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

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techniques such as discounted cash flow analysis and option pricing models that incorporate assumptions about future market interest or exchange rates, as appropriate.

(j) 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.

(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, 2023 and 2022.

(m) Reclassifications

Certain amounts in prior year have been reclassified to conform to the current year presentation.

(3) Financial Assets and Liquidity Resources

As of June 30, 2023, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and scheduled principal payments on debt, were as follows:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 17,194,033	44,888,303
Contributions receivable	1,124,542	—
Government grants receivables due in a year, net	28,702,057	18,041,762
Board designations:		
Future fiscal budgeted endowment payout	<u>1,030,145</u>	<u>1,023,498</u>
Total financial assets available within one year	<u>\$ 48,050,777</u>	<u>63,953,563</u>

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City Year is substantially supported by cost reimbursement grants that require funds to be spent in order to receive payments. City Year's practice is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

(4) Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Time restrictions	\$ 3,591,645	6,035,647
Purpose restrictions:		
School programs and education research	891,785	3,433,262
Endowments:		
School programs	7,524,883	7,037,681
Headquarters initiatives	2,308,844	2,158,877
Graduation awards	14,471	13,538
	<u>\$ 14,331,628</u>	<u>18,679,005</u>

(5) Net Assets Released from Restrictions

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

	<u>2023</u>	<u>2022</u>
Expiration of time restrictions	\$ 6,864,067	11,556,503
Satisfaction of purpose restrictions	5,874,652	5,249,053
	<u>\$ 12,738,719</u>	<u>16,805,556</u>

(6) Contributed Nonfinancial Assets

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities included:

	<u>2023</u>	<u>2022</u>
Services	\$ 841,098	287,794

City Year recognized contributed nonfinancial assets within revenue, including contributed services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed services recognized comprise professional services from attorneys advising City Year on various administrative legal matters in fiscal 2023 and 2022. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

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Contributed Nonfinancial Assets consisted of the following at June 30, 2023:

	<u>Revenue recognized</u>	<u>Revenue programs/ activities</u>	<u>Donor restrictions</u>	<u>Valuation techniques and inputs</u>
Services	\$ 841,098	Various Administrative Legal Matters	No associated donor restrictions	Contributed services from attorneys are valued at the estimated fair value based on current rates for similar legal services.

Contributed Nonfinancial Assets consisted of the following at June 30, 2022:

	<u>Revenue recognized</u>	<u>Revenue programs/ activities</u>	<u>Donor restrictions</u>	<u>Valuation techniques and inputs</u>
Services	\$ 287,794	Various Administrative Legal Matters	No associated donor restrictions	Contributed services from attorneys are valued at the estimated fair value based on current rates for similar legal services.

(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 under US GAAP are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

The following table summarizes the classification of the Organization's investments in accordance with the fair value hierarchy as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Exchange traded / mutual funds (level 1):		
Global equity funds	\$ 2,460,652	7,990,807
Domestic equity fund	17,158,251	9,228,387
Domestic fixed income fund	3,940,954	3,371,592
Money market fund	41,484	400,288
Total investments	<u>\$ 23,601,341</u>	<u>20,991,074</u>

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

	<u>2023</u>	<u>2022</u>
Dividends and interest	\$ 517,936	515,965
Realized and unrealized net gain (loss) on investments	2,092,331	(4,354,139)
Total return on investments	<u>\$ 2,610,267</u>	<u>(3,838,174)</u>

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

	<u>2023</u>	<u>2022</u>
Investment return on endowments – board designated	\$ 1,506,554	(2,154,093)
Investment return on endowments – donor restricted	1,103,713	(1,684,081)
Total return on investments	<u>\$ 2,610,267</u>	<u>(3,838,174)</u>

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(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 net assets with donor restrictions (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.

Accumulations to the endowment that do not have to be maintained perpetuity remain classified as net assets with donor restrictions 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

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Endowment net assets consisted of the following at June 30, 2023:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Historical gift value	\$ —	7,039,255	7,039,255
Appreciation	—	2,808,943	2,808,943
Total donor-restricted endowment funds	—	9,848,198	9,848,198
Board-designated endowment funds	<u>13,753,143</u>	<u>—</u>	<u>13,753,143</u>
Total	<u>\$ 13,753,143</u>	<u>9,848,198</u>	<u>23,601,341</u>

Endowment net assets consisted of the following at June 30, 2022:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Historical gift value	\$ —	7,039,255	7,039,255
Appreciation	—	2,170,841	2,170,841
Total donor-restricted endowment funds	—	9,210,096	9,210,096
Board-designated endowment funds	<u>11,780,978</u>	<u>—</u>	<u>11,780,978</u>
Total	<u>\$ 11,780,978</u>	<u>9,210,096</u>	<u>20,991,074</u>

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Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2022	\$ 11,780,978	9,210,096	20,991,074
Investment return:			
Interest and dividends	297,566	220,370	517,936
Net appreciation	1,208,988	883,343	2,092,331
Total investment return	1,506,554	1,103,713	2,610,267
Transfers in	1,023,498	—	1,023,498
Endowment return appropriated	(557,887)	(465,611)	(1,023,498)
Endowment net assets, June 30, 2023	<u>\$ 13,753,143</u>	<u>9,848,198</u>	<u>23,601,341</u>

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2021	\$ 13,549,196	11,159,219	24,708,415
Investment return:			
Interest and dividends	287,752	228,213	515,965
Net appreciation	(2,441,845)	(1,912,294)	(4,354,139)
Total investment return	(2,154,093)	(1,684,081)	(3,838,174)
Transfers in	845,020	—	845,020
Contributions	83,333	37,500	120,833
Endowment return appropriated	(542,478)	(302,542)	(845,020)
Endowment net assets, June 30, 2022	<u>\$ 11,780,978</u>	<u>9,210,096</u>	<u>20,991,074</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. No deficiencies of this nature were reported in net assets with donor restrictions as of June 30, 2023 and 2022, respectively.

(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

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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.

(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 \$1,023,498 in fiscal 2023 and \$845,020 in fiscal 2022. These amounts are classified as operating revenue without donor restrictions 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 Receivables

Contributions receivables consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Restricted to future periods	\$ 1,124,542	—

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

	<u>2023</u>	<u>2022</u>
Due within one year	\$ 1,124,542	—

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(10) Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Land	\$ 4,884,000	4,884,000
Building	14,041,684	13,988,555
Furniture, fixtures and equipment	5,326,148	4,901,300
IT hardware and IT software	8,203,462	8,196,839
Leasehold improvements	<u>1,185,650</u>	<u>1,056,772</u>
	33,640,944	33,027,466
Less accumulated depreciation and amortization	<u>(18,883,501)</u>	<u>(18,041,112)</u>
	<u>\$ 14,757,443</u>	<u>14,986,354</u>

(11) Federal Grants

City Year received grant awards from AmeriCorps (formerly the Corporation for National and Community Service) totaling \$72,576,802 and \$56,693,477 for fiscal years 2023 and 2022, respectively. The funds were awarded through the AmeriCorps program State and National administered by AmeriCorps. Funds expended and recognized as revenue for the AmeriCorps program in fiscal year 2023 and 2022 totaled \$36,825,976 and \$48,182,850, respectively. City Year expended and recognized revenue for other federal programs totaling \$395,196 and \$443,901 in fiscal year 2023 and 2022, respectively. The Organization's federal grant programs are subject to financial and compliance audits. 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

Lease cost for office space was \$4,232,019 and \$4,355,065 for the years ended June 30, 2023 and 2022, respectively, inclusive of certain in-kind arrangements. Lease arrangements with an original term of more than one year expire on various dates through 2028.

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Future minimum lease payments under operating leases as of June 30, 2023 are as follows:

	Amount due
Fiscal years ending June 30:	
2024	\$ 3,659,652
2025	3,260,962
2026	2,579,289
2027	2,235,915
2028	1,115,622
Thereafter	1,900,450
	14,751,890
Less: Amounts representing interest	(678,218)
	\$ 14,073,672

The weighted average remaining lease term on leases commencing on or before June 30 was 57 months and 60 months fiscal years 2023 and 2022, respectively. The weighted average discount rate on leases commencing on or before June 30 was 1.69% and 1.40% for fiscal years 2023 and 2022, respectively. 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 \$10,000,000 credit facility (the Facility) with Bank of America, N.A. (BoA) Subsequent to year end (July 2023), City Year increased the Facility from \$10,000,000 to \$20,000,000. The Facility is secured by all assets of the Organization, except for the portion of assets equal to the amount of net assets with donor restriction to be held in perpetuity. The Facility matures on July 31, 2024.

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 Facility. The Facility 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. There were no borrowings under the Facility Line during the years ended June 30, 2023 and 2022.

On February 8, 2017, the Organization secured from BoA an irrevocable standby letter of credit, for the benefit of the landlord as required security deposit on their New York office facility.

The letter of credit expires on July 31, 2024 but may be renewed through December 31, 2027. City Year purchased a certificate of deposit as collateral as required by the Security Agreement with BoA. The certificate of deposit totaling \$169,801 is presented as restricted cash in the accompanying financial statements.

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(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.

City Year entered into the First Amendment to the Loan and Security Agreement, dated May 1, 2018, with Massachusetts Development Finance Agency, Banc of America Public Capital Corp., and Bank of America, N.A. This amendment provided, among other things, to amend and restate the Series 2013 Bonds. The restated bonds were purchased by Banc of America Public Capital Corp. as a Nonbank qualified tax exempt private placement loan facility, with a put term of five years from the date of closing, May 1, 2018.

The bond matures through July 1, 2036, and bears interest at a tax exempt rate equal to 80% of daily SOFR -plus the Applicable Margin. The interest rate at June 30, 2023 was 4.80% and 2022 (80% of the 30 day BBA LIBOR) and 4.813%, respectively.

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, and amended May 1, 2018 and March 25, 2021. The agreement contains certain financial covenants, including a ratio requirement, minimum liquidity requirement, and limitations on the amount of annual capital expenditures.

Aggregate scheduled annual principal repayments for bonds payable as of June 30, 2023 were as follows:

2024	\$	295,000
2025		310,000
2026		325,000
2027		340,000
2028		350,000
Thereafter		<u>3,995,000</u>
Total	\$	<u><u>5,615,000</u></u>

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(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, 2023 and 2022:

Counterparty	Effective date	Expiration date	Remaining notional amount	Swap fixed rate	Liability fair value at June 30	
					2023	2022
Bank of America, N.A.	07/01/06	07/01/26	\$ 1,395,000	3.9500 %	\$ (37,191)	(109,695)
Bank of America, N.A.	05/01/18	07/01/26	4,220,000	2.7250	138,780	34,373
			<u>\$ 5,615,000</u>		<u>\$ 101,589</u>	<u>(75,322)</u>

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 net liability as of June 30, 2023 and 2022 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, 2023 and 2022 were \$176,911 and \$359,236, 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 4% of eligible compensation each pay period. Employer matching contributions for the years ended June 30, 2023 and 2022 were \$2,415,190 and \$1,998,516, 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 Plan is immaterial to the financial statements.

(16) Affiliations

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

CITY YEAR, INC.

Notes to Financial Statements

June 30, 2023 and 2022

(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, 2023 through November 15, 2023, which was the date the financial statements were available to be issued.

CITY YEAR, INC.

Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

Federal grantor/pass-through program/program title	Assistance listing number	Federal expenditures
Corporation for National and Community Service		
AmeriCorps State and National Program:		
Direct Funding		
#21NDFMA001	94.006	\$ 10,274,895
Passed through the Massachusetts Service Alliance		
#21ACFMA0010002 (Competitive)	94.006	2,893,579
Passed through the Pennsylvania Department of Labor & Industry (PennSERVE)		
#21ACBPA0010002 (Competitive)	94.006	3,833,009
Passed through the Ohio Commission on Service and Volunteerism – Serve Ohio		
#21ACCOH0010001 (Columbus)	94.006	846,639
#21ACCOH0010003 (Cleveland)	94.006	818,705
Passed through the Michigan Department of Labor and Economic Opportunity		
#21-MCSC-MACFC-04	94.006	1,128,968
Passed through California Volunteers		
#21ACICA0010009 (LA Competitive)	94.006	3,051,665
#17ESHCA0010003 (Sacramento)	94.006	489,922
Passed through Volunteer NH		
#19ACHNH0010006 (Competitive)	94.006	621,367
Passed through Serve DC		
#19ESHDC0010002– Competitive	94.006	1,291,304
Passed through the OneStar National Service Commission – OneStar Foundation		
#21ACGTX0010001 Competitive (San Antonio)	94.006	1,354,121
#20ESHTX0010007 (Dallas)	94.006	757,885
Passed through the United Way Association of South Carolina, South Carolina Commission on National and Community Service		
#21ESHSC0010001 (Columbia)	94.006	294,631
Passed through the Volunteer Louisiana Commission		
#18ACHLA0010002 – Competitive Grant (New Orleans)	94.006	679,843
#21ACGLA0010001 – Competitive Grant (Baton Rouge)	94.006	1,029,046
Passed through Missouri Community Service Commission		
#20ACHMO0010002 – Competitive Grant	94.006	936,548
Passed through the Serve Colorado Governor's Commission on Community Service		
#18ACHCO0010003	94.006	547,423
Passed through the Serve Washington, State of Washington		
#19ESHWA0010001	94.006	757,055
Passed through Florida Commission on Community Service		
#18ACHFL0010007 – Competitive (Miami)	94.006	826,547
#21ACHFL0010003 – Competitive (Orlando)	94.006	587,097
#21ACHFL0010004 (Jacksonville)	94.006	918,721
Passed through Volunteer Tennessee		
#19ESHTN0010006	94.006	437,031
Passed through New York State Office of Children and Family Services		
#20ESHNY0010003	94.006	2,470,704
Total AmeriCorps Program		<u>36,846,705</u>
Total Corporation for National and Community Service		<u>36,846,705</u>
U.S. Department of the Treasury:		
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds		
Passed through Washington DC	21.027	617,201
COVID-19 – Coronavirus Relief Fund		
Passed through the New Hampshire Department of Health and Human Services	21.019	24,750
Total U.S. Department of the Treasury		<u>641,951</u>

CITY YEAR, INC.

Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

Federal grantor/pass-through program/program title	Assistance listing number	Federal expenditures
U.S. Department of Education:		
DC Opportunity Scholarship Program:	84.370	\$ 139,724
Passed through Washington DC		
COVID-19 – Education Stabilization Fund – Governor’s Emergency Education Relief Fund (GEER)		
Passed through the State of Colorado	84.425C	<u>130,472</u>
Total U.S. Department of Education		<u>270,196</u>
U.S. Department of Housing and Urban Development:		
Community Development Block Grants/Entitlement Grants Cluster (CDBG):		
Passed through the City of Manchester, New Hampshire	14.218	<u>125,000</u>
Total U.S. Department of Housing and Urban Development		<u>125,000</u>
U.S. Department of Health and Human Services:		
Temporary Assistance for Needy Families (TANF)		
Passed through Franklin County Department of Job and Family Services	93.558	<u>106,505</u>
Total U.S. Department of Health and Human Services		<u>106,505</u>
Total expenditures of federal awards		<u>\$ 37,990,357</u>

See accompanying independent auditors’ report

CITY YEAR, INC.

Notes to Schedule of Expenditure of Federal Awards

Year ended June 30, 2023

(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 elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

(3) Subrecipient Payments

City Year did not pass through awards to subrecipients during fiscal year 2023.



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

Independent Auditors' Report on Supplementary Information

The Board of Trustees
City Year, Inc.:

We have audited the financial statements of City Year, Inc. as of and for the years ended June 30, 2023 and 2022, and have issued our report thereon dated November 15, 2023 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to November 15, 2023.

The information included in the accompanying Supplemental Schedule of Compensation, Benefits, and Other Payments to Agency Head (supplementary information) for the year ended June 30, 2023, is presented for the purposes of additional analysis, as required by the State of Louisiana regulation R.S.513(A)(3), and is not a required part of the financial statements. Such supplementary 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 supplementary 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

Boston, Massachusetts
November 15, 2023

CITY YEAR, INC.

Supplemental Schedule of Compensation, Benefits, and Other Payments to Agency Head

Year ended June 30, 2023

Agency Head Name: Jim Balfanz, Chief Executive Officer

<u>Purpose</u>	<u>Amount</u>
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	<u>\$ —</u>

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.



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

Independent Accountants' Report on Applying Agreed-Upon Procedures

The Board of Trustees
City Year, Inc.:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2022 through June 30, 2023. City Year's management is responsible for those C/C areas identified in the SAUPs.

City Year has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2022 through June 30, 2023. This report may not be suitable for any other purpose. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. No other parties have agreed to or acknowledged the appropriateness of these procedures for the intended purpose or any other purpose.

The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. We make no representation regarding the appropriateness of the procedures either for the intended purpose or for any other purpose.

Organizational Background

City Year operates in twenty-nine locations across the United States, including Baton Rouge and New Orleans, Louisiana. For the fiscal year ended June 30, 2023, City Year recorded expenses totaling approximately \$4.4 million related to the operations of these Louisiana locations which represent approximately 2.4% of City Year's total fiscal 2023 expenses. To the extent the below procedures relate specifically to City Year's Baton Rouge and/or New Orleans operations or generally to City Year's overall corporate governance, those procedures were deemed applicable, otherwise they were deemed not applicable.

The procedures and associated finding are as follows:

1. *Written Policies and Procedures*

- A. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - ii. **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - iii. **Disbursements**, including processing, reviewing, and approving.



- iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- v. **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes and tools needed to recover operations after a critical event.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: We obtained and inspected the written policies and procedures noting each addressed the categories and subcategories except for items ix) Ethics and xii) Prevention of Sexual Harassment, which are not applicable to nonprofit entities.

2. Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.



- ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
- iii. For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.
- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Results: We obtained and inspected City Year's articles of organization and bylaws in effect during the fiscal period. Based on those documents, an annual meeting is required and a quorum is defined as a majority. The Board of Trustees and Finance Committee met four times in fiscal 2023. We inspected the minutes of these committees which include evidence of a quorum. We noted the minutes referenced or included financial activity relating to public funds and nonbudgetary financial information during the fiscal period. We noted there was no written updates on progress of audit findings as there are no unresolved audit findings.

3. Bank Reconciliations

- A. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii. Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - iii. Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: We obtained a listing of all bank accounts maintained by City Year and a representation from management that the listing was complete. City Year does not maintain separate bank accounts for its Louisiana sites. City Year's cash accounts were subject to audit as part of its fiscal 2023 audit. No significant deficiencies related to City Year's cash accounts were noted during the fiscal 2023 audit.



4. Collections (Excluding EFTs)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Results: City Year requires all cash collections to be processed by its corporate headquarters in Boston, Massachusetts. Accordingly, the Louisiana sites do not process any cash collections. City Year's cash collections were subject to audit as part of its fiscal 2023 audit. No significant deficiencies related to City Year's cash collections were noted during the fiscal 2023 audit.

- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- i. Employees that are responsible for cash collections do not share cash drawers/registers;
- ii. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit;
- iii. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and
- iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Results: City Year requires all cash collections to be processed by its corporate headquarters in Boston, Massachusetts. Accordingly, the Louisiana sites do not process any cash collections. City Year's cash collections were subject to audit as part of its fiscal 2023 audit. No significant deficiencies related to City Year's cash collections were noted during the fiscal 2023 audit.

We obtained City Year's written policies and procedures related to collections. Based on the policies, City Year has procedures for collections which properly segregate job duties as listed above.

- C. Obtain from management a copy of the bond or insurance policy for theft covering employees who have access to cash. Observe the bond or insurance policy for theft enforced during the fiscal period.

Results: City Year requires all cash collections to be processed by its corporate headquarters in Boston, Massachusetts. Accordingly, the Louisiana sites do not process any cash collections. Based on inquiry with management, City Year maintains insurance that provides coverage in a blanket fidelity bond for all personnel handling cash, preparing or signing checks.

- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternatively, the practitioner may use a source document other than bank statements when selecting



the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:

- i. Observe that receipts are sequentially pre-numbered.
- ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- iii. Trace the deposit slip total to the actual deposit per the bank statement.
- iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
- v. Trace the actual deposit per the bank statement to the general ledger.

Results: City Year requires all cash collections to be processed by its corporate headquarters in Boston, Massachusetts. Accordingly, the Louisiana sites do not process any cash collections. City Year's cash collections were subject to audit as part of its fiscal 2023 audit. No significant deficiencies related to City Year's cash collections were noted during the fiscal 2023 audit.

5. *Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)*

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Results: City Year requires all disbursements to be processed by its corporate headquarters in Boston, Massachusetts. Accordingly, the Louisiana sites do not process any disbursements. City Year's disbursements were subject to audit as part of its fiscal 2023 audit. No significant deficiencies related to City Year's disbursements were noted during the fiscal 2023 audit.

- B. For each location selected under #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase;
 - ii. At least two employees are involved in processing and approving payments to vendors;
 - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

Results: City Year requires all disbursements to be processed by its corporate headquarters in Boston, Massachusetts. Accordingly, the Louisiana sites do not process any disbursements. City Year's



disbursements were subject to audit as part of its fiscal 2023 audit. No significant deficiencies related to City Year's disbursements were noted during the fiscal 2023 audit.

We obtained City Year's written policies and procedures related to non-payroll disbursements. Based on the policies, City Year has procedures for purchase orders which properly segregate job duties as listed above.

- C. For each location selected under #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - i. Observe that the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity, and
 - ii. Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #5B, as applicable.

Results: City Year requires all disbursements to be processed by its corporate headquarters in Boston, Massachusetts. Accordingly, the Louisiana sites do not process any disbursements. City Year's disbursements were subject to audit as part of its fiscal 2023 audit. No significant deficiencies related to City Year's disbursements were noted during the fiscal 2023 audit.

- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Results: City Year requires all disbursements to be processed by its corporate headquarters in Boston, Massachusetts. Accordingly, the Louisiana sites do not process any disbursements. City Year's disbursements were subject to audit as part of its fiscal 2023 audit. No significant deficiencies related to City Year's disbursements were noted during the fiscal 2023 audit.

6. *Credit Cards/Debit Cards/Fuel Cards/P-Cards*

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Results: We obtained a listing of all the Louisiana site's active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. We obtained management's representation that the listing is complete.



- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.

Results: From the listing prepared by management, we selected five P-Cards. For each P-Card, we selected one monthly statement and obtained the supporting documentation. We inspected evidence that the monthly statement was reviewed and approved, in writing, by someone other than the authorized card holder. Also we noted no finance charges or late fees were assessed on the selected statements.

<u>Site</u>	<u>Last 4 of card</u>
Baton Rouge	8303
New Orleans	9440
Baton Rouge	3712
New Orleans	9361
Baton Rouge	6919

- C. Using the monthly statements or combined statements selected under #6B above, *excluding fuel cards*, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

Results: Using the monthly statements selected under #6B above, we obtained supporting documentation for 10 transactions (or all transactions if less than 10) for each of the five P-cards selected. Note for P-Cards ending 9361 and 6919 there were less than 10 transaction/card. Accordingly, for those P-Cards all transactions were selected resulting in a total of transactions selected. For each transaction, we noted the transaction was supported by an original itemized receipt



that identified what was purchased, documentation of the business/public purpose and documentation of the individuals participating in meals. No exceptions were noted.

#	Statement date	Posted date	Description	Last 4 of card	Charge
1	7/1/2022	7/2/2022	Supplies for Impact Teams	8303	\$ 234.65
2	7/1/2022	7/2/2022	Supplies for Impact Teams	8303	53.73
3	7/1/2022	7/6/2022	Fly Trap light for Office	8303	38.50
4	7/1/2022	7/10/2022	Materials for impact teams and professional development books	8303	421.04
5	7/1/2022	7/10/2022	Binders for impact department	8303	38.79
6	7/1/2022	7/13/2022	Lunch for Service Leaders - Basic Training Academy	8303	119.02
7	7/1/2022	7/14/2022	Breakfast for Service Leaders - Basic Training Academy	8303	32.88
8	7/1/2022	7/15/2022	School decor for Glen Oaks Park ELeментарy Team	8303	10.98
9	7/1/2022	7/14/2022	Lunch for Service Leaders - Basic Training Academy	8303	134.80
10	7/1/2022	7/21/2022	Coffee for visiting staff from City Year Little Rock	8303	16.84
11	1/1/2023	1/12/2023	MCA	9440	15.92
12	1/1/2023	1/12/2023	Volunteer tshirts for MLK Day of Service - Invoice 1	9440	466.78
13	1/1/2023	1/12/2023	Transportation reimbursement	9440	5.00
14	1/1/2023	1/12/2023	Volunteer tshirts for MLK Day of Service- Invoice 5	9440	181.84
15	1/1/2023	1/12/2023	Volunteer tshirts for MLK Day of Service- Invoice 2	9440	466.78
16	1/1/2023	1/14/2023	Transportation reimbursement	9440	21.98
17	1/1/2023	1/15/2023	Materials for MLK Day of Service Project	9440	59.58
18	1/1/2023	1/13/2023	Meal for staff during working lunch	9440	31.14
19	1/1/2023	1/15/2023	Snacks for MLK Day service project volunteers	9440	75.19
20	1/1/2023	1/15/2023	MLK Day Service Project Materials	9440	116.37
21	2/1/2023	2/1/2023	Food truck rental fee for School House Rock Fest	3712	300.00
22	2/1/2023	2/1/2023	Replenishing postage stamps for office	3712	126.00
23	2/1/2023	2/3/2023	Working Development meeting lunch	3712	57.11
24	2/1/2023	2/3/2023	Magnet for School House Rock Fest	3712	11.79
25	2/1/2023	2/7/2023	Photobooth photographer for School House Rock Fest	3712	350.00
26	2/1/2023	2/7/2023	Skyline fridge magnets for School House Rock Fest	3712	166.64
27	2/1/2023	2/7/2023	Red Jacket Car Magnets for School House Rock Fest	3712	470.55
28	2/1/2023	2/13/2023	AFP February Meeting for Raushanah Hunter	3712	35.00
29	2/1/2023	2/17/2023	City Year cups for School House Rock Fest	3712	549.35
30	2/1/2023	2/20/2023	Parking garage payment for Learning and Development Day	3712	22.00
31	4/1/2023	4/10/2023	Replacement meal with dietary restrictions for work lunch	9361	11.68
32	4/1/2023	4/13/2023	Meal for AmeriCorps members who participated in promotional video	9361	36.18
33	4/1/2023	4/26/2023	City Year promotional yard signs for local philanthropic day of giving	9361	171.03
34	3/1/2023	3/27/2023	Hotel taxes and fees for staffer after work trip flight cancellation	6919	50.85
35	3/1/2023	3/27/2023	Hotel for staffer after work trip flight cancellation	6919	304.08
36	3/1/2023	3/27/2023	Hotel for staffer after work trip flight cancellation	6919	304.08
37	3/1/2023	3/27/2023	Hotel taxes and fees for staffer after work trip flight cancellation	6919	50.85

7. *Travel and Travel-Related Expense Reimbursements (excluding card transactions)*

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense



documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- i. If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
- ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1A(vii)); and
- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: We obtained a listing of all of the Louisiana site’s travel and related expense reimbursements, by person, during the fiscal period for travel reimbursements. We obtained management’s representation that the listing or general ledger is complete. From the list, we selected five reimbursements and obtained the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. We noted no reimbursements using per diem, each expense was supported by an original itemized receipt that identifies precisely what was purchased and documentation of the business/public purpose. We noted each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement. No exceptions were noted.

Expense report	Category	Accounting date	Amount
Expense Report: EXP-62191	Travel – Staff	12/13/2022	\$ 35.00
Expense Report: EXP-63695	Parking	3/10/2023	10.00
Amex Acct 61001: JE-14759	Travel – Corps Member	6/6/2023	1,302.50
Amex Acct 61001: JE-14763	Travel – Staff	6/10/2023	183.60
Amex Acct 61001: JE-14767	Travel – Staff	6/2/2023	289.47

8. *Contracts*

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management’s representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, *excluding the practitioner’s contract*, and.
 - i. Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter);



- iii. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments are made in compliance with the contract terms (e.g., if approval is required for any amendments, was approval documented); and
- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: We obtained a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period, and obtained management’s representation that the listing is complete. For fiscal year 2023, there was no contracts specific to City Year’s Baton Rouge or New Orleans operations.

9. *Payroll and Personnel*

- A. Obtain a listing of employees/elected officials employed during the fiscal period and management’s representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Results: We obtained a listing of employees from the Louisiana sites with their related salaries, and obtained management’s representation that the listing is complete. We selected 5 individuals and obtained their personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files. No exceptions were noted.

Employee ID	Salary
XXX680	\$ 90,000.00
XXX568	81,120.00
XXX297	76,300.00
XXX477	80,000.00
XXX459	43,000.00

- B. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #9A above, obtain attendance records and leave documentation for the pay period, and:
 - i. Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - ii. Observe that supervisors approved the attendance and leave of the selected employees/officials;
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity’s cumulative leave records; and
 - iv. Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

Results: Using the employees selected under #9A above, we obtained attendance and leave records for the pay period. We noted each selected employee documented their daily attendance and leave, supervisors approved the attendance and leave, any leave accrued or taken during the pay period was reflected in the entity’s cumulative leave records and agreed the information to the employees personnel file. No exceptions were noted.



- C. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

Results: We obtained management's representation that there were three terminated employee who received termination payments during the fiscal period for the Louisiana sites, and that the list is complete. For employees XXX411 and XXX573, we agreed the hours to the employee's cumulative leave records, agreed the pay rate to the employee's authorized pay rate in the employee's personnel file, and agreed the termination payment to the City Year's policy. No exceptions were noted.

- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Results: We obtained management's representation that employer and employee portions of third-party payroll related amounts and associated forms have been filed, by required deadlines. As all payroll taxes and deductions are maintained and monitored at City Year's Headquarters, this procedure was not applicable. City Year's overall payroll process was subject to audit as part of its fiscal 2023 audit. No significant deficiencies related to City Year's payroll process were noted during the fiscal 2023 audit.

10. Ethics

- A. Using the 5 randomly selected employees/officials from procedure #9A under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Results: Procedure not applicable as this excludes nonprofit entities.

- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Results: Procedure not applicable as this excludes nonprofit entities.

11. Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

Results: We obtained from management a list of debt instruments outstanding during the fiscal period and management's representation that the list is complete. The only outstanding debt instrument was



issued in the Commonwealth of Massachusetts, therefore the Louisiana State Bond Commission approval is not applicable.

- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Results: We obtained from management a list of bonds outstanding during the fiscal period and management's representation that the list is complete. We selected the one bond (Series 2013) and obtained and reviewed the debt compliance calculations. No exceptions were noted.

12. *Fraud Notice*

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

Results: We inquired of management whether City Year had any misappropriations of public funds or assets in Louisiana. Management noted there was no misappropriation of public funds or assets in Louisiana during the fiscal year.

- B. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: We observed and noted City Year has posted on its New Orleans and Baton Rouge premises and website, the notice required by R.S. 24:523.1.

13. *Information Technology Disaster Recovery/Business Continuity*

- A. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."
 - i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
 - ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.



Results: City Year’s computer backup processed is performed by headquarters in Boston, Massachusetts. Accordingly, the Louisiana sites do not perform backups of their own computers and critical data. City Year’s information technology and cybersecurity was assessed as part of its fiscal 2023 audit. No significant deficiencies related to City Year’s information technology were noted during the fiscal 2023 audit.

Additionally, we obtained from management a listing of the entity’s computers currently in use and their related locations. We selected 5 Louisiana site computers and observed that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Serial Number/Asset Name

5CD2159WDL
5CD2288YX4
5CD051HSNY
ASSET-10828
ASSET-11121

- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Results: Using the list of terminated employees obtained in procedure #9C, we selected four terminated employees, from a listing of four, and observed evidence that the selected terminated employees have been removed or disabled from the network.

Employee ID

XXX380
XXX477
XXX573
XXX678

14. Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

Results: This section is not applicable to nonprofit entities. In addition, City Year’s agreements to receive public funds does not include sexual harassment provisions.

- B. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).

Results: This section is not applicable to nonprofit entities. In addition, City Year’s agreements to receive public funds does not include sexual harassment provisions.



- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
 - i. Number and percentage of public servants in the agency who have completed the training requirements.
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.

Results: This section is not applicable to nonprofit entities. In addition, City Year's agreements to receive public funds does not include sexual harassment provisions.

* * * * *

We were engaged by City Year to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and in accordance with the applicable standards of *Government Auditing Standards* issued by the Comptroller General of the United States, which involves us performing the specific procedures agreed to and acknowledged above and reporting on findings based on performing those procedures. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of City Year and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

KPMG LLP

November 15, 2023