



**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, 2019

(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, 2019

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KPMG LLP  
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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**

We have audited City Year, Inc.'s (City Year's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on City Year's major federal program for the year ended June 30, 2019. City Year's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

*Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for City Year's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City Year's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of City Year's compliance.

*Opinion on the Federal Program*

In our opinion, City Year complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.



## Report on Internal Control over Compliance

Management of City Year is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City Year's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City Year's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*KPMG LLP*

November 12, 2019





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

**Exhibit II**

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

The Board of Trustees  
City Year, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of City Year, Inc. (City Year), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 12, 2019. Our report includes a paragraph on other matters related to City Year's implementation of Accounting Standards Update (ASU) No. 2016-14, *Not-for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City Year's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City Year's internal control. Accordingly, we do not express an opinion on the effectiveness of City Year's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of City Year's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City Year's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of



## Exhibit II

our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City Year's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City Year's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

November 12, 2019

**CITY YEAR, INC.**

Schedule of Findings and Questioned Costs  
Year ended June 30, 2019

**(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 Awards*

Internal control over major programs:

- 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 programs:

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:

CFDA number

AmeriCorps Program

94.006

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

\$ 1,390,109

Auditee qualified as low-risk auditee:

Yes  No

**CITY YEAR, INC.**

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

**(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.



**CITY YEAR, INC.**

Financial Statements

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)



KPMG LLP  
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**Exhibit IV**

## **Independent Auditors' Report**

The Board of Trustees  
City Year, Inc.:

### *Report on the Financial Statements*

We have audited the accompanying financial statements of City Year, Inc. (City Year), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City Year as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



*Other Matters – Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary 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 supplementary schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

The accompanying Supplemental Schedule of Compensation, Benefits, and Other Payments to Agency Head for the year ended June 30, 2019 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the City Year's financial statements and, accordingly, we do not express an opinion on it.

*Emphasis of Matter*

As discussed in note 2(l) to the financial statements, in 2019 City Year adopted new accounting guidance, Accounting Standards Update (ASU) No. 2016-14, *Not-for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profits Entities*. Our opinion is not modified with respect to this matter.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019 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 12, 2019

## CITY YEAR, INC.

## Statements of Financial Position

June 30, 2019 and 2018

<b>Assets</b>	<b>2019</b>	<b>2018</b>
Cash and equivalents	\$ 40,395,717	33,110,103
Government grants receivable, net	16,718,186	14,013,709
Contributions receivable, net (note 9)	2,305,276	5,076,085
Other assets (note 15)	2,538,130	2,373,462
Restricted cash (note 13)	169,801	169,801
Investments, at fair value (note 7)	15,830,884	15,302,883
Property and equipment, net (note 10)	15,119,924	16,180,046
Total assets	<u>\$ 93,077,918</u>	<u>86,226,089</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,702,929	3,350,332
Accrued payroll and related expenses	6,212,588	5,032,857
Interest rate swaps (note 14)	485,151	269,473
Bonds payable (note 14)	6,665,000	6,900,000
Total liabilities	<u>17,065,668</u>	<u>15,552,662</u>
Commitments and contingencies (notes 11, 12, and 14)		
Net assets:		
Without donor restrictions	49,736,554	49,331,412
With donor restrictions (note 4)	26,275,696	21,342,015
Total net assets	<u>76,012,250</u>	<u>70,673,427</u>
Total liabilities and net assets	<u>\$ 93,077,918</u>	<u>86,226,089</u>

See accompanying notes to financial statements.

## CITY YEAR, INC.

## Statements of Activities

Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Changes in net assets without donor restrictions:		
Operations:		
Revenues and other support:		
Contributions and private grants (note 6)	\$ 74,568,253	73,970,132
Federal grants – Corporation for National and Community Service (note 11)	45,390,635	38,135,163
School District and other government grants	37,740,347	36,464,295
Investment return utilized for operations (note 7)	605,808	560,136
Other income	238,553	243,905
Board designated surplus funds authorized for operations	3,033,721	1,578,027
Net assets released from restrictions (note 5)	<u>12,123,102</u>	<u>11,365,281</u>
Total operating revenues and other support	<u>173,700,419</u>	<u>162,316,939</u>
Expenses (note 6):		
Program services	137,257,716	126,536,298
Supporting services:		
Organizational support	14,874,914	14,667,815
Fundraising	<u>17,852,786</u>	<u>16,276,743</u>
Total expenses	<u>169,985,416</u>	<u>157,480,856</u>
Change in net assets without donor restrictions from operations	<u>3,715,003</u>	<u>4,836,083</u>
Nonoperating transactions:		
Board designated surplus funds authorized for operations	(3,033,721)	(1,578,027)
Investment return on endowments (note 7)	186,421	417,350
Investment return utilized for operations (note 7)	(246,883)	(216,359)
Unrealized net (loss)/gain on changes in fair value of interest-rate swaps (note 14)	<u>(215,678)</u>	<u>175,071</u>
Change in net assets without donor restrictions from nonoperating transactions	<u>(3,309,861)</u>	<u>(1,201,965)</u>
Change in net assets without donor restrictions	<u>405,142</u>	<u>3,634,118</u>
Changes in net assets with donor restrictions:		
Contributions	17,211,628	12,077,286
Investment return on endowments (note 7)	204,080	589,762
Investment return utilized for operations (note 7)	(358,925)	(343,777)
Net assets released from restrictions (note 5)	<u>(12,123,102)</u>	<u>(11,365,281)</u>
Change in net assets with donor restrictions	<u>4,933,681</u>	<u>957,990</u>
Change in net assets	5,338,823	4,592,108
Net assets, beginning of year	<u>70,673,427</u>	<u>66,081,319</u>
Net assets, end of year	<u>\$ 76,012,250</u>	<u>70,673,427</u>

See accompanying notes to financial statements.



**CITY YEAR, INC.**  
Statement of Functional Expenses  
Year ended June 30, 2019

	<u>Program services</u>	<u>Organizational support</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses:				
Staff salaries	\$ 53,835,785	7,545,591	10,761,847	72,143,223
Corp member stipends	40,935,135	—	—	40,935,135
Payroll taxes and employee benefits	16,288,402	1,075,606	2,053,430	19,417,438
	<u>111,059,322</u>	<u>8,621,197</u>	<u>12,815,277</u>	<u>132,495,796</u>
Other expenses:				
Consulting and professional services	3,293,086	1,971,303	662,552	5,926,941
Transportation, travel, and lodging	5,090,509	319,213	496,974	5,906,696
Conferences and training seminars	317,530	30,766	40,320	388,616
Advertising and recruiting	1,784,624	148,135	76,648	2,009,407
Materials and supplies	5,668,748	157,072	1,409,177	7,234,997
Information technology	1,116,491	1,894,639	62,968	3,074,098
Telecommunications	830,327	348,160	21,921	1,200,408
Dues and fees	575,522	175,031	160,689	911,242
Occupancy and insurance	5,603,572	493,646	21,091	6,118,309
Event venue expense	1,121,514	1,250	2,023,039	3,145,803
Interest	101,813	146,846	12,769	261,428
Depreciation and amortization	694,658	567,656	49,361	1,311,675
	<u>26,198,394</u>	<u>6,253,717</u>	<u>5,037,509</u>	<u>37,489,620</u>
Total expenses	<u>\$ 137,257,716</u>	<u>14,874,914</u>	<u>17,852,786</u>	<u>169,985,416</u>

See accompanying notes to financial statements.

## CITY YEAR, INC.

## Statement of Functional Expenses

Year ended June 30, 2018

	<u>Program services</u>	<u>Organizational support</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses:				
Staff salaries	\$ 48,235,685	7,171,090	9,583,725	64,990,500
Corp member stipends	39,800,197	—	—	39,800,197
Payroll taxes and employee benefits	15,021,760	1,067,711	1,883,978	17,973,449
	<u>103,057,642</u>	<u>8,238,801</u>	<u>11,467,703</u>	<u>122,764,146</u>
Other expenses:				
Consulting and professional services	3,375,838	1,738,219	610,115	5,724,172
Transportation, travel, and lodging	4,412,651	334,227	448,751	5,195,629
Conferences and training seminars	245,012	20,799	49,137	314,948
Advertising and recruiting	1,033,247	216,937	65,631	1,315,815
Materials and supplies	4,845,522	165,650	1,280,574	6,291,746
Information technology	943,775	1,595,185	41,442	2,580,402
Telecommunications	952,208	471,021	21,501	1,444,730
Dues and fees	349,862	193,908	270,885	814,655
Occupancy and insurance	5,328,695	477,257	16,324	5,822,276
Event venue expense	1,166,905	1,364	1,913,270	3,081,539
Interest	113,886	156,729	11,797	282,412
Depreciation and amortization	711,055	1,057,718	79,613	1,848,386
	<u>23,478,656</u>	<u>6,429,014</u>	<u>4,809,040</u>	<u>34,716,710</u>
Total expenses	<u>\$ 126,536,298</u>	<u>14,667,815</u>	<u>16,276,743</u>	<u>157,480,856</u>

See accompanying notes to financial statements.

## CITY YEAR, INC.

## Statements of Cash Flows

Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 5,338,823	4,592,108
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,311,675	1,848,386
Realized and unrealized net gains on investments	(390,501)	(1,007,112)
Changes in fair value of interest-rate swaps	215,678	(175,071)
Contributions restricted for long-term investment	(37,500)	(90,371)
Changes in operating assets and liabilities:		
Government grants receivable, net	(2,704,477)	(3,412,043)
Contributions receivable, net	2,770,809	1,762,147
Other assets	(164,668)	(292,455)
Accounts payable and accrued expenses	352,597	865,347
Accrued payroll and related expenses	1,179,731	(27,156)
Net cash provided by operating activities	<u>7,872,167</u>	<u>4,063,780</u>
Cash flows from investing activities:		
Purchases of investments	(137,500)	(190,371)
Purchases of equipment	(251,553)	(803,130)
Net cash used in investing activities	<u>(389,053)</u>	<u>(993,501)</u>
Cash flows from financing activities:		
Repayments of bond payable	(235,000)	(225,000)
Contributions restricted for long-term investment	37,500	90,371
Net cash used in financing activities	<u>(197,500)</u>	<u>(134,629)</u>
Net increase in cash and equivalents	7,285,614	2,935,650
Cash and equivalents and restricted cash, beginning of year	<u>33,279,904</u>	<u>30,344,254</u>
Cash and equivalents and restricted cash, end of year	<u>\$ 40,565,518</u>	<u>33,279,904</u>
Supplemental data:		
Cash paid for interest	\$ 258,379	287,895

See accompanying notes to financial statements.

**CITY YEAR, INC.**

## Notes to Financial Statements

June 30, 2019 and 2018

**(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-eight 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 and Memphis, TN. In 2005, City Year established its first international program, City Year South Africa Citizen Service Organization, in Johannesburg, South Africa and in 2009, City Year collaborated with an organization in the UK to establish a second international City Year program with operations in London, Manchester, and Birmingham.

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

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

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

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

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

*Without Donor Restriction* – 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.

**CITY YEAR, INC.**

## Notes to Financial Statements

June 30, 2019 and 2018

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 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.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions and earnings subject to donor-imposed stipulations that are met in the same reporting period are reported as revenue without donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions when the purpose or time restrictions are met. Promises from donors subject to stipulations that the original gift be maintained permanently are shown as increases in net assets with donor restrictions. Conditional promises are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at the appropriate rate commensurate with the risks and duration involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any. Dividends, interest, and net unrealized gains (losses) on long-term investments are reported as follows:

- increases in 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;
- 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
- increases (decreases) in net assets without donor restrictions in all other cases.

The endowment component classified as net assets without donor restrictions is comprised of amounts designated by the Board to function as endowments which amounts to \$7,364,331 and \$6,718,985 as of June 30, 2019 and 2018, respectively

**(b) Operating and Nonoperating Activities**

The statements of activities report 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



**CITY YEAR, INC.**

## Notes to Financial Statements

June 30, 2019 and 2018

equipment net of related debt. For the years ended June 30, 2019 and 2018, City Year authorized \$3,033,721 and \$1,578,027, respectively, for operations. The balance of board designated surplus available for appropriation as of June 30, 2019 and 2018 was \$23,163,073 and \$24,076,077, respectively.

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

**(c) Cash and Cash Equivalents**

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

**(d) Investments**

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

**(e) Property and Equipment**

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

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

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

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.

**(g) Program Services**

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

**CITY YEAR, INC.**

## Notes to Financial Statements

June 30, 2019 and 2018

**(h) Derivative Instruments**

City Year utilizes interest-rate swap agreements to effectively convert a portion of its long-term variable-rate debt to fixed rates and not for speculative purposes. FASB ASC 815, Derivatives and Hedging, requires the swaps' fair value and changes therein to be recognized in the financial statements. Differences between the fixed and variable rates in effect at each interest due date are settled net under each swap, increasing or decreasing interest expense. The net termination value (cost) of each swap is measured at each reporting date and presented as an asset (liability) using techniques such as discounted cash flow analysis and option pricing models that incorporate assumptions about future market interest or exchange rates, as appropriate.

**(i) Use of Estimates**

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

**(j) 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.

**(k) 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, 2019 and 2018.

**(l) Recent Accounting Pronouncements**

In 2019, the Organization adopted Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include presentation of two classes or net assets versus the previously required three, and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. This guidance also enhances disclosures for board designated funds, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

**CITY YEAR, INC.**

## Notes to Financial Statements

June 30, 2019 and 2018

A recap of the net asset reclassification driven by the adoption of ASU 2016-14 as of June 30, 2017 follows:

	<b>ASU 2016-14 Classifications</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total net assets</b>
As previously presented:			
Unrestricted	\$ 42,045,263	—	42,045,263
Temporarily restricted	3,553,260	14,301,143	17,854,403
Permanently restricted	—	6,181,653	6,181,653
Net assets as previously presented	<u>\$ 45,598,523</u>	<u>20,482,796</u>	<u>66,081,319</u>

Amounts previously reported as temporarily restricted and currently reported as without donor restriction under ASU 2016-14 represent endowment gifts whose donors subsequently removed the restrictions.

***(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, 2019, 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>2019</u>
Financial assets:	
Cash and cash equivalents	\$ 34,072,747
Contributions receivable	1,486,988
Government grants receivables due in a year, net	16,718,186
Board designations:	
Fiscal 2020 budgeted endowment payout	<u>673,924</u>
Total financial assets available within one year	<u>\$ 52,951,845</u>

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. Additionally, as of June 30, 2019, City Year has an additional \$7,069,792 in board designated funds, which are available for general expenditure with Board approval.

**CITY YEAR, INC.**

## Notes to Financial Statements

June 30, 2019 and 2018

**(4) Net Assets with Donor Restrictions**

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

	<u>2019</u>	<u>2018</u>
Time restrictions	\$ 15,921,638	10,718,418
Purpose restrictions:		
School programs & education research	1,402,425	1,616,329
Challenge matching grant	323,370	423,370
Public policy research	71,710	—
Graduation awards	90,000	—
Endowments:		
School programs	6,478,489	6,564,313
Headquarters initiatives	1,975,400	2,006,667
Graduation awards	12,664	12,918
	<u>\$ 26,275,696</u>	<u>21,342,015</u>

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

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

	<u>2019</u>	<u>2018</u>
Expiration of time restrictions	\$ 10,156,333	11,105,281
Satisfaction of purpose restrictions	1,966,769	260,000
	<u>\$ 12,123,102</u>	<u>11,365,281</u>

## CITY YEAR, INC.

## Notes to Financial Statements

June 30, 2019 and 2018

**(6) In-Kind Contributions**

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

<u>Nature</u>	<u>2019</u>	<u>2018</u>
Program services:		
Transportation and travel	\$ 627,933	501,556
Rent	<u>175,894</u>	<u>144,650</u>
Total program services	<u>803,827</u>	<u>646,206</u>
Support services:		
Professional services	693,886	640,516
Consulting services	<u>100,000</u>	<u>—</u>
Total support services	<u>793,886</u>	<u>640,516</u>
Total	<u>\$ 1,597,713</u>	<u>1,286,722</u>

**(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.

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.



**CITY YEAR, INC.**

## Notes to Financial Statements

June 30, 2019 and 2018

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

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

The following table summarizes the classification of the Organization's investments in accordance with the fair value hierarchy as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
MAF (Level 1)	\$ 15,830,884	15,302,883
Total investments	<u>\$ 15,830,884</u>	<u>15,302,883</u>

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

	<u>2019</u>	<u>2018</u>
Dividends and interest	\$ 29,401	45,188
Realized and unrealized net gains on investments	<u>361,100</u>	<u>961,924</u>
Total return on investments	<u>\$ 390,501</u>	<u>1,007,112</u>

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

	<u>2019</u>	<u>2018</u>
Investment return on endowments – board designated	\$ 186,421	417,350
Investment return on endowments – donor restricted	<u>204,080</u>	<u>589,762</u>
Total return on investments	<u>\$ 390,501</u>	<u>1,007,112</u>

**(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

## CITY YEAR, INC.

## Notes to Financial Statements

June 30, 2019 and 2018

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 restriction 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

Endowment net assets consisted of the following at June 30, 2019:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Historical gift value	\$ —	6,809,524	6,809,524
Appreciation	—	1,657,029	1,657,029
Total donor-restricted endowment funds	—	8,466,553	8,466,553
Board-designated endowment funds	7,364,331	—	7,364,331
Total	<u>\$ 7,364,331</u>	<u>8,466,553</u>	<u>15,830,884</u>

**CITY YEAR, INC.**

## Notes to Financial Statements

June 30, 2019 and 2018

Endowment net assets consisted of the following at June 30, 2018:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Historical gift value	\$ —	6,772,024	6,772,024
Appreciation	—	1,811,874	1,811,874
Total donor-restricted endowment funds	—	8,583,898	8,583,898
Board-designated endowment funds	<u>6,718,985</u>	<u>—</u>	<u>6,718,985</u>
Total	<u>\$ 6,718,985</u>	<u>8,583,898</u>	<u>15,302,883</u>

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2018	\$ 6,718,985	8,583,898	15,302,883
Investment return:			
Interest and dividends	13,185	16,216	29,401
Net appreciation	<u>173,236</u>	<u>187,864</u>	<u>361,100</u>
Total investment return	186,421	204,080	390,501
Transfers in	605,808	—	605,808
Contributions	100,000	37,500	137,500
Endowment return appropriated	<u>(246,883)</u>	<u>(358,925)</u>	<u>(605,808)</u>
Endowment net assets, June 30, 2019	<u>\$ 7,364,331</u>	<u>8,466,553</u>	<u>15,830,884</u>

## CITY YEAR, INC.

## Notes to Financial Statements

June 30, 2019 and 2018

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2017	\$ 5,857,858	8,247,542	14,105,400
Investment return:			
Interest and dividends	19,593	25,595	45,188
Net appreciation	<u>397,757</u>	<u>564,167</u>	<u>961,924</u>
Total investment return	417,350	589,762	1,007,112
Transfers in	560,136	—	560,136
Contributions	100,000	90,371	190,371
Endowment return appropriated	<u>(216,359)</u>	<u>(343,777)</u>	<u>(560,136)</u>
Endowment net assets, June 30, 2018	<u>\$ 6,718,985</u>	<u>8,583,898</u>	<u>15,302,883</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, 2019 and 2018, 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 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.

**CITY YEAR, INC.**

## Notes to Financial Statements

June 30, 2019 and 2018

**(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 \$605,808 in fiscal 2019 and \$560,136 in fiscal 2018. 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 Receivable**

Contributions receivable consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Without donor restrictions	\$ 540,250	141,000
Restricted to future periods	1,925,000	5,238,000
	<u>\$ 2,465,250</u>	<u>5,379,000</u>

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

	<u>2019</u>	<u>2018</u>
Due within one year	\$ 1,565,250	4,854,000
Due within two to five years	900,000	525,000
	2,465,250	5,379,000
Less present value discount (ranging from 3.72% to 7.99%) and other allowances	<u>(159,974)</u>	<u>(302,915)</u>
	<u>\$ 2,305,276</u>	<u>5,076,085</u>

**CITY YEAR, INC.**

## Notes to Financial Statements

June 30, 2019 and 2018

**(10) Property and Equipment**

Property and equipment consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 4,884,000	4,884,000
Building	13,119,706	13,119,706
Furniture, fixtures and equipment	3,742,501	3,600,323
IT hardware and IT software	7,854,104	7,782,894
Leasehold improvements	<u>2,156,337</u>	<u>2,141,583</u>
	31,756,648	31,528,506
Less accumulated depreciation and amortization	<u>(16,636,724)</u>	<u>(15,348,460)</u>
	<u>\$ 15,119,924</u>	<u>16,180,046</u>

**(11) Federal Grants**

City Year received grant awards from the Corporation for National and Community Service (CNCS) totaling \$47,925,291 and \$39,490,753 for fiscal years 2019 and 2018, respectively. The funds were awarded through the AmeriCorps program administered by CNCS. Funds expended and recognized as revenue for the AmeriCorps program in fiscal year 2019 and 2018 totaled \$45,390,635 and \$38,135,163, respectively. City Year expended and recognized revenue for other federal programs totaling \$605,851 and \$1,573,561 in fiscal year 2019 and 2018, 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**

Rental expense for office space was \$4,276,109 and \$4,057,777 for the years ended June 30, 2019 and 2018, respectively, inclusive of certain in-kind arrangements. Lease arrangements with an original term of more than one year expire on various dates through 2028.

**CITY YEAR, INC.**

## Notes to Financial Statements

June 30, 2019 and 2018

Future minimum lease payments under operating leases as of June 30, 2019 are as follows:

	<u>Amount due</u>
Fiscal years ending June 30:	
2020	\$ 3,949,593
2021	2,838,412
2022	2,183,396
2023	1,744,362
2024	1,300,817
Thereafter	<u>3,156,995</u>
	<u>\$ 15,173,575</u>

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

**(13) Credit Facility**

The Organization has a \$10,000,000 credit facility (the Facility) with Bank of America, N.A. (BoA) maturing on March 27, 2020. 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.

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, 2019 and 2018.

On February 8, 2017, the Organization has 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 February 10, 2020 but may 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.

**(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, INC.**

## Notes to Financial Statements

June 30, 2019 and 2018

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 the 30-day BBA LIBOR plus the Applicable Margin. The interest rate at June 30, 2019 and 2018 was 2.552% and 2.1860%, 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. 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, 2019 were as follows:

2020	\$	245,000
2021		260,000
2022		265,000
2023		280,000
2024		295,000
Thereafter		<u>5,320,000</u>
Total	\$	<u><u>6,665,000</u></u>



**CITY YEAR, INC.**

## Notes to Financial Statements

June 30, 2019 and 2018

**(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, 2019 and 2018:

Counterparty	Effective date	Expiration date	Remaining notional amount	Swap fixed rate	Liability fair value at June 30	
					2019	2018
Bank of America, N.A.	07/01/06	07/01/26	\$ 1,675,000	4.2100 %	\$ (282,627)	(237,683)
Bank of America, N.A.	05/01/18	07/01/26	4,990,000	2.5540	(202,524)	(31,790)
			<u>\$ 6,665,000</u>		<u>\$ (485,151)</u>	<u>(269,473)</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 liability as of June 30, 2019 and 2018 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, 2019 and 2018 were \$215,678 and \$175,071, respectively.

**(15) Retirement Plans**

The Organization participates in the City Year 401(k) Savings Plan (the Plan), which is a defined contribution plan covering all employees of City Year who have at least six months of service with the Organization. Employer contributions are fully vested when made. Matching contributions are made in an amount equal to 100% of the first 3% of eligible compensation and 50% of the next 2% of eligible compensation for total matching contributions of up to 4% each pay period. Employer matching contributions for the years ended June 30, 2019 and 2018 were \$1,853,638 and \$1,765,900, respectively.

City Year has established an Internal Revenue Code Section 457(b) plan for a limited number of the Organization's top management employees. Under this plan, participating employees can elect to defer compensation within the Internal Revenue Code limits. The Organization will pay the deferred compensation under this Plan upon the employee leaving the Organization or under certain conditions outlined in the Plan. The compensation deferred under this plan is credited with earnings or losses measured by the mirrored rate of return on the investments selected by the participant. The deferred compensation had a market value as of June 30, 2019 and 2018 of \$129,291 and \$120,334, respectively, and is included with other assets in the accompanying financial statements.

**(16) Affiliations**

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

**CITY YEAR, INC.**

Notes to Financial Statements

June 30, 2019 and 2018

**(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, 2019 through November 12, 2019, which was the date the financial statements were issued. No subsequent events were noted.

**CITY YEAR, INC.**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2019

Federal grantor/pass-through program/program title	Federal CFDA number	Federal expenditures
Corporation for National and Community Service:		
AmeriCorps Program:		
Direct Funding:		
#18NDHMA001	94.006	\$ 10,881,465
#16NDHMA002	94.006	2,783,154
Passed through the Massachusetts Service Alliance		
#18ACHMA0010007 (Competitive)	94.006	4,353,421
Passed through the Pennsylvania Department of Labor & Industry (PennSERVE)		
#18ACHPA0010003 (Competitive)	94.006	3,123,721
Passed through the Ohio Commission on Service and Volunteerism - Serve Ohio		
#18ACHOH0010002 (Columbus)	94.006	880,473
#18ACHOH0010001 (Cleveland)	94.006	1,018,511
Passed through the Michigan Department of Health and Human Services		
#15ACHMI0020011	94.006	841,700
Passed through California Volunteers		
#18ACHCA0010003 (LA Competitive)	94.006	4,110,674
#15ACHCA0020016 (Sacramento)	94.006	828,974
Passed through the Illinois Department of Public Health		
#18ACHIL0010002	94.006	3,165,583
Passed through Volunteer NH		
#15ACHNH0010001 (Competitive)	94.006	592,900
Passed through Serve DC		
#16ESHDC0010001- Competitive	94.006	1,305,840
Passed through the OneStar National Service Commission - OneStar Foundation		
#18ACHTX0010002 (San Antonio)	94.006	1,326,701
#17ESHTX0010002 (Dallas)	94.006	959,639
Passed through the United Way Association of South Carolina, South Carolina Commission on National and Community Service		
#18ESHSC0010001	94.006	287,374
Passed through the Volunteer Louisiana Commission		
#15ACHLA0010004 - Competitive Grant (New Orleans)	94.006	726,000
#18ACHLA0010001 - Competitive Grant (Baton Rouge)	94.006	1,421,066
Passed through Missouri Community Service Commission		
#17ACHMO001001 - Competitive Grant	94.006	807,560
Passed through the Oklahoma Community Service Commission Inc.		
#15ACHOK001002	94.006	647,192
Passed through the Serve Colorado Governor's Commission on Community Service		
#18AFHCO0010007	94.006	483,533
Passed through the Serve Washington, State of Washington		
#16ESHWA0020001	94.006	334,929
Passed through Florida Commission on Community Service		
#15ACHFL0020004 - Competitive (Miami)	94.006	1,306,800
#15AFHFL0010037 - Formula (Miami)	94.006	344,837
#18ACHFL0010002 - Competitive (Orlando)	94.006	941,838
#18ACHFL0010001 (Jacksonville)	94.006	1,319,785
Passed through Volunteer Tennessee		
#16ESHVN0010004	94.006	536,606
Total AmeriCorps Program		<u>45,330,276</u>
Training and Technical Assistance Program:		
Passed through the Pennsylvania Department of Labor & Industry (PennSERVE)		
Background checks - Philadelphia	94.009	16,920
Passed through the Ohio Commission on Service and Volunteerism - Serve Ohio		
Background checks - Columbus	94.009	2,392
Background checks - Cleveland	94.009	2,587
Passed through the Michigan Department of Health and Human Services		
Background checks - Detroit	94.009	2,629

**CITY YEAR, INC.**  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2019

Federal grantor/pass-through program/program title	Federal CFDA number	Federal expenditures
Passed through California Volunteers		
Background checks - Sacramento	94.009	\$ 2,429
Background checks - Los Angeles	94.009	10,513
Passed through Volunteer NH		
Background checks - New Hampshire	94.009	2,079
Passed through Serve DC		
Background checks - Washington DC	94.009	4,290
Passed through the OneStar National Service Commission - OneStar Foundation		
Background checks - San Antonio	94.009	5,413
Background checks - Dallas	94.009	5,117
Passed through the United Way Association of South Carolina, South Carolina Commission on National and Community Service		
Background checks - Columbia	94.009	1,008
Passed through the Volunteer Louisiana Commission		
Background checks - New Orleans	94.009	2,466
Background checks - Baton Rouge	94.009	4,085
Passed through the Serve Washington, State of Washington		
Background checks - Seattle	94.009	471
Passed through Florida Commission on Community Service		
Background checks - Orlando	94.009	2,828
Background checks - Jacksonville	94.009	3,553
Background checks - Miami	94.009	4,785
Total Training and Technical Assistance Program		<u>73,565</u>
U.S. Department of Health and Human Services:		
Temporary Assistance for Needy Families Cluster (TANF):		
Passed through Franklin County Department of Job and Family Services	93.558	89,296
Total Temporary Assistance for Needy Families Cluster		<u>89,296</u>
Maternal and Child Health Services Block Grants:		
Passed through Pennsylvania Department of Health	93.994	237,755
Total Maternal and Child Health Services Block Grants		<u>237,755</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	150,000
Total Community Development Block Grants/Entitlement Grants Cluster		<u>150,000</u>
U.S. Department of Education		
Promise Neighborhood		
Passed through Youth Policy Institute	84.215	230,000
Total Promise Neighborhood		<u>230,000</u>
Education Research, Development and Dissemination		
Passed through American Institutes of Research	84.305	124,215
Total Education Research, Development and Dissemination		<u>124,215</u>
U.S. Department of Justice		
Juvenile Mentoring Program		
Passed through 2016-JU-FX-0006	16.726	101,851
Total Juvenile Mentoring Program		<u>101,851</u>
Total expenditures of federal awards		<u>\$ 46,336,958</u>

See accompanying independent auditors' report

**CITY YEAR, INC.**

Notes to Schedule of Expenditure of Federal Awards

Year ended June 30, 2019

**(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 2019.

**CITY YEAR, INC.**

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

(Unaudited)

Year ended June 30, 2019

Agency Head Name: Michael Brown, Chief Executive Officer

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

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

See accompanying independent auditors' report.



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, which were agreed to by the audit committee and management of City Year, Inc., (City Year) and the Louisiana Legislative Auditor, related to public monies City Year received from local Louisiana entities or the State of Louisiana for the fiscal year ended June 30, 2019. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

### Organizational Background

City Year operates in twenty-eight locations across the United States, including Baton Rouge and New Orleans, Louisiana. For the fiscal year ended June 30, 2019, City Year recorded expenses totaling approximately \$6.1 million related to the operations of these Louisiana locations which represent approximately 3.6% of City Year's total fiscal 2019 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.

Our procedures and finding are as follows:

#### *Written Policies and Procedures*

1. 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):
  - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
  - b) **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.
  - c) **Disbursements**, including processing, reviewing, and approving.
  - d) **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).
  - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
  - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.





- g) **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).
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA, (3) debt reserve requirements, and (4) debt service requirements.
- k) **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.

**RESULTS:** We obtained and inspected the written policies and procedures noting each addressed the categories and subcategories except for item i) Ethics, which is not applicable to nonprofit entities.

#### *Board or Finance Committee*

- 2. 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:
  - a) 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.
  - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to- actual comparisons, if budgeted) for major proprietary 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.*
  - c) 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.

**RESULTS:** We obtained and inspected the articles of organization and bylaws in effect during the fiscal period. Based on the boards enabling legislation, 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 2019. 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.





### *Bank Reconciliations*

3. 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:
  - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
  - b) 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
  - c) 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 2019 audit. No control deficiencies related to City Year's cash accounts were noted during the fiscal 2019 audit.

### *Collections (Excluding EFTs)*

4. 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 2019 audit. No control deficiencies related to City Year's cash collections were noted during the fiscal 2019 audit.

5. 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:
  - a) Employees that are responsible for cash collections do not share cash drawers/registers.
  - b) 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.
  - c) 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.
  - d) 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 2019 audit. No control deficiencies related to City Year's cash collections were noted during the fiscal 2019 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.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

**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.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (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). *Alternately, 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:
  - a) Observe that receipts are sequentially pre-numbered.
  - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - c) Trace the deposit slip total to the actual deposit per the bank statement.
  - d) 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).
  - e) 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 2019 audit. No control deficiencies related to City Year's cash collections were noted during the fiscal 2019 audit.

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

8. 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 2019 audit. No control deficiencies related to City Year's disbursements were noted during the fiscal 2019 audit.





9. For each location selected under #8 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:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b) At least two employees are involved in processing and approving payments to vendors.
  - c) 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.
  - d) 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.

**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 2019 audit. No control deficiencies related to City Year's disbursements were noted during the fiscal 2019 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.

10. For each location selected under #8 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:
  - a) Observe that the disbursement matched the related original invoice/billing statement.
  - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, 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 2019 audit. No control deficiencies related to City Year's disbursements were noted during the fiscal 2019 audit.

#### *Credit Cards/Debit Cards/Fuel Cards/P-Cards*

11. 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.



12. 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:
- a) Observe that 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) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.].
  - b) 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.

Site	Last 4 of card
Baton Rouge	9280
Baton Rouge	2559
Baton Rouge	6210
New Orleans	9112
New Orleans	4893

13. Using the monthly statements or combined statements selected under #12 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 #12 above, we obtained supporting documentation for 10 transactions (or all transactions if less than 10) for each of the five P-cards selected. There were a total of 47 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	8/20/2018	8/13/2018	PAYPAL HARRIS DIST – Purchase	9280	\$ 500.00
2	8/20/2018	8/8/2018	STAPLES DIRECT – Purchase	9280	322.69
3	8/20/2018	7/30/2018	WM SUPERCENTER #7262 – Purchase	9280	106.94
4	8/20/2018	8/6/2018	AMAZON.COM AMZN.COM/BILL – Purchase	9280	105.02
5	8/20/2018	7/27/2018	TECHNICAL SUPPORT UNIT – Purchase	9280	101.96
6	8/20/2018	7/23/2018	SOCIAL IMPRINTS – Purchase	9280	90.05
7	8/20/2018	8/3/2018	MICHAELS STORES 3102 – Purchase	9280	68.85





#	Statement date	Posted date	Description	Last 4 of card	Charge
8	8/20/2018	7/26/2018	SCHOOL AIDS BATON ROUG – Purchase	9280	\$ 52.94
9	8/20/2018	8/6/2018	WALGREENS #2996 – Purchase	9280	45.73
10	8/20/2018	8/16/2018	AMZN MKTP US AMZN.COM/BIL – Purchase	9280	37.98
11	9/20/2018	9/10/2018	HILTON HOTELS SHRVRPRT – Purchase	2559	399.56
12	9/20/2018	9/3/2018	TST IZZO S ILLEGAL BURRI – Purchase	2559	286.21
13	9/20/2018	8/31/2018	Forum 35 – Purchase	2559	250.00
14	9/20/2018	9/20/2018	EMEDCO – Purchase	2559	121.05
15	9/20/2018	9/14/2018	ETS PRAXIS Registratio – Purchase	2559	120.00
16	9/20/2018	8/22/2018	Amazon.com – Purchase	2559	88.42
17	9/20/2018	9/17/2018	FOUNDATION FOR EBRSS – Purchase	2559	60.00
18	9/20/2018	8/27/2018	THE HOME DEPOT #0367 – Purchase	2559	27.33
19	9/20/2018	9/3/2018	FLEURTY GIRL (E-COMM) – Purchase	2559	24.66
20	9/20/2018	9/13/2018	MATHERNE’S MARKET A – Purchase	2559	7.40
21	3/20/2019	3/12/2019	MARCO PROMOTIONAL PRODUC – Purchase	6210	500.00
22	3/20/2019	3/11/2019	NINJAPOPGRIP – Purchase	6210	358.00
23	3/20/2019	3/13/2019	THE CREATIVE TOUCH, INC – Purchase	6210	217.80
24	3/20/2019	3/11/2019	Dollar Tree, Inc. – Purchase	6210	45.47
25	3/20/2019	3/14/2019	USPS PO 2106350951 – Purchase	6210	30.90
26	3/20/2019	3/14/2019	VOLUNTEERS IN PUBLIC SCH – Purchase	6210	30.00
27	3/20/2019	3/11/2019	GG AFP – BATON ROUGE – Purchase	6210	28.00
28	3/20/2019	3/15/2019	HOBBY-LOBBY #0147 – Purchase	6210	25.84
29	3/20/2019	3/14/2019	MATHERNE’S MARKET A – Purchase	6210	11.31
30	3/20/2019	3/11/2019	KRISPY KREME #235 – Purchase	6210	6.49
31	6/20/2019	5/24/2019	CENTRAL CITY BBQ – Purchase	9112	338.12
32	6/20/2019	6/3/2019	SQ CLESIS – Purchase	9112	331.61
33	6/20/2019	5/23/2019	SQ CLESIS – Purchase	9112	331.61
34	6/20/2019	5/24/2019	CENTRAL CITY BBQ – Purchase	9112	309.00
35	6/20/2019	6/13/2019	CENTRAL CITY BBQ – Purchase	9112	235.83
36	6/20/2019	5/21/2019	PANERA BREAD #204589 – Purchase	9112	202.81
37	6/20/2019	5/23/2019	MANCHU FOOD STORE – Purchase	9112	138.40
38	6/20/2019	5/22/2019	PIZZA DELICIOUS – Purchase	9112	105.26
39	6/20/2019	5/22/2019	COSTCO WHSE #1147 – Purchase	9112	54.17
40	6/20/2019	6/3/2019	POSTMATES 9A8A2 DOWN T – Purchase	9112	35.86
41	6/20/2019	6/11/2019	MICHAELS STORES 1182 – Purchase	4893	40.84
42	6/20/2019	6/10/2019	LA SEC OF STATE – Purchase	4893	25.00
43	6/20/2019	5/31/2019	CLUECARRELL – Purchase	4893	230.00
44	6/20/2019	5/24/2019	LEBANONS CAFE – Purchase	4893	261.90
45	6/20/2019	5/24/2019	ROUSES MARKET # 29 – Purchase	4893	54.71
46	6/20/2019	5/24/2019	LEBANONS CAFE – Purchase	4893	286.91
47	6/20/2019	5/23/2019	WALGREENS #05866 – Purchase	4893	12.01

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

- 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:



- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) 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 #1h).
- d) 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
EXP-35717	Travel – Staff	11/2/2018	\$ 6.00
EXP-33283	Parking	7/26/2018	50.85
EXP-36564	Parking	12/1/2018	95.00
EXP-38523	Travel – Staff	2/18/2019	30.00
EXP-39964	Parking	4/2/2019	61.23

*Contracts*

15. 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.
- a) 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.
  - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter):
  - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
  - d) 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 2019, there was one contract specific to City Year’s Baton Rouge or New Orleans operations. We obtained supporting documents for one related payment and agreed the invoice to contract terms, and observed the related payment agreed to the terms and conditions of the contract. No exceptions were noted.

*Payroll and Personnel*

16. 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
XXX553	\$ 44,000.00
XXX241	40,000.00
XXX185	55,000.00
XXX792	48,687.50
XXX998	143,800.00

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
  - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
  - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
  - c) Observe that any leave accrued or taken during the pay period is reflected in the entity’s cumulative leave records.

**RESULTS:** Using the employees selected under #16 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 and any leave accrued or taken during the pay period was reflected in the entity’s cumulative leave records No exceptions were noted.

18. 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/officials, obtain related documentation of the hours and pay rates used in management’s termination payment calculations, agree the hours to the employee/officials’ cumulate leave records, and agree the pay rates to the employee/officials’ authorized pay rates in the employee/officials’ personnel files:

**RESULTS:** We obtained management’s representation that there were no terminated employees who received termination payments during the fiscal period for the Louisiana sites, and that the list is complete.



19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

**RESULTS:** We obtained management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, 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 2019 audit. No control deficiencies related to City Year's payroll process were noted during the fiscal 2019 audit.

#### *Ethics*

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
  - a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
  - b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

**RESULTS:** Procedure not applicable as this excludes nonprofit entities.

#### *Debt Service*

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

**RESULTS:** We obtained from management a list of bonds outstanding during the fiscal period and management's representation that the list is complete. The only outstanding bond was issued in the Commonwealth of Massachusetts, therefore the Louisiana State Bond Commission approval is not applicable.

22. 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.

**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 and obtained and reviewed the debt compliance calculations. No exceptions were noted.

#### *Other*

23. 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.

**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.





24. 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. This notice (available for download or print at [www.la.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

\* \* \* \* \*

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 public monies City Year received from local Louisiana entities or the State of Louisiana for the fiscal year ended June 30, 2019. 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.

This report is intended solely for the information and use of audit committee and management of City Year and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than the specified parties.

*KPMG LLP*

November 12, 2019