

CIVICORPS

Financial Statements

For the year ended June 30, 2020

with

Report of Independent Auditors



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Report of Independent Auditors

To the Board of Directors
of Civicorps

We have audited the accompanying financial statements of Civicorps, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Civicorps as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2020, on our consideration of Civicorps' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Civicorps' internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the financial statements of Civicorps as of and for the year ended June 30, 2019, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which the information was derived.

WMB2, LLP

WMB2 LLP
Larkspur, California
December 22, 2020

CIVICORPS
Statement of Financial Position
As of June 30, 2020
with comparative totals as of June 30, 2019

	2020	2019
Assets		
Current assets		
Cash	\$ 1,391,389	\$ 403,741
Accounts receivable	1,585,864	1,220,721
Prepaid expenses	105,299	108,996
Total current assets	3,082,552	1,733,458
Property and equipment, at cost		
Land	1,337,795	1,337,795
Building and improvements	591,209	591,209
Leasehold improvements	58,006	58,006
Equipment and furniture	252,143	252,143
Vehicles	1,413,411	1,493,657
	3,652,564	3,732,810
Accumulated depreciation	(1,220,984)	(1,299,637)
Property and equipment, net	2,431,580	2,433,173
Deposits and other assets	74,171	34,386
Total assets	\$ 5,588,303	\$ 4,201,017
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 61,412	\$ 85,338
Accrued liabilities	405,205	404,193
Note payable due within one year - Paycheck Protection Program	521,185	-
Note payable due within one year - vehicle	18,095	17,203
Total current liabilities	1,005,897	506,734
Note payable - Paycheck Protection Program	651,482	-
Note payable - vehicle	32,005	50,100
Deferred rent	56,748	59,328
Total liabilities	1,746,132	616,162
Net assets		
With donor restrictions	110,833	270,203
Without donor restrictions	3,731,338	3,314,652
Total net assets	3,842,171	3,584,855
Total liabilities and net assets	\$ 5,588,303	\$ 4,201,017

See accompanying notes

CIVICORPS
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2020
with comparative totals for the year ended June 30, 2019

	Without donor restrictions	With donor restriction	Totals	
			2020	2019
Revenues				
Contract revenues	\$ 4,501,954	\$ -	\$ 4,501,954	\$ 4,309,407
Charter school revenues	731,454	-	731,454	767,696
Government grants	2,664,626	-	2,664,626	2,805,915
Grants and donations from foundations and individuals	505,127	400,000	905,127	817,659
Other income	77,846	-	77,846	12,498
Net assets released from restrictions	559,370	(559,370)	-	-
Total revenues	9,040,377	(159,370)	8,881,007	8,713,175
Expenses				
Program	6,640,775	-	6,640,775	6,529,748
General and administrative	1,543,759	-	1,543,759	1,570,611
Fundraising and development	439,157	-	439,157	412,033
Total expenses	8,623,691	-	8,623,691	8,512,392
Change in net assets	416,686	(159,370)	257,316	200,783
Net assets, beginning of year	3,314,652	270,203	3,584,855	3,384,072
Net assets, end of year	\$ 3,731,338	\$ 110,833	\$ 3,842,171	\$ 3,584,855

See accompanying notes

CIVICORPS
Statement of Functional Expenses
For the year ended June 30, 2020
with comparative totals for the year ended June 30, 2019

	2020			2019	
	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising and Development</u>	<u>Total</u>	<u>Total</u>
Expenses					
Salaries, wages and benefits					
Staff	\$ 2,605,172	\$ 960,574	\$ 390,300	\$ 3,956,046	\$ 3,865,968
Corpsmembers	1,986,662	-	-	1,986,662	1,923,552
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Total salaries, wages and benefits	4,591,834	960,574	390,300	5,942,708	5,789,520
Non-personnel related costs					
Communications	67,102	32,968	6,355	106,425	83,180
Corpsmember enrichment and support	111,216	-	-	111,216	164,968
Conferences, training and travel	44,185	10,849	5,549	60,583	77,081
Dues and subscriptions	15,247	24,638	2,262	42,147	49,115
Fleet	497,306	-	-	497,306	500,271
Insurance	11,334	18,576	-	29,910	27,297
Occupancy	476,165	204,821	-	680,986	560,769
Postage and shipping	5,380	1,141	754	7,275	9,721
Office, printing and publications	57,981	3,962	7,352	69,295	76,008
Professional services	161,050	273,131	24,947	459,128	587,176
Supplies	316,499	5,196	1,638	323,333	336,480
Taxes, permits and fees	31,134	2,779	-	33,913	23,569
Depreciation	251,347	-	-	251,347	217,327
Interest expense	2,995	5,124	-	8,119	9,910
	<hr/>				
Total non-personnel related costs	2,048,941	583,185	48,857	2,680,983	2,722,872
	<hr/>				
Total expenses	<u>\$ 6,640,775</u>	<u>\$ 1,543,759</u>	<u>\$ 439,157</u>	<u>\$ 8,623,691</u>	<u>\$ 8,512,392</u>

See accompanying notes.

CIVICORPS
Statement of Cash Flows
For the year ended June 30, 2020
with comparative totals for the year ended June 30, 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 257,316	\$ 200,783
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	251,347	217,327
Changes in operating assets and liabilities:		
Accounts receivable	(365,143)	(22,493)
Prepaid expenses	3,697	57,899
Accounts payable	(23,926)	(30,135)
Accrued liabilities	1,012	(41,475)
Deferred contract revenues	-	(36,429)
Deferred rent	<u>(2,580)</u>	<u>9,234</u>
Net cash provided by operating activities	121,723	354,711
Cash flows from investing activities		
Purchases of vehicles and equipment	(249,754)	(235,355)
Change in deposits and other assets	<u>(39,785)</u>	<u>698</u>
Net cash used by investing activities	(289,539)	(234,657)
Cash flows from financing activities:		
Advances on bank line of credit	-	200,000
Repayment of bank line of credit	-	(200,000)
Proceeds from note payable - Paycheck Protection Program	1,172,667	-
Repayments on note payable - vehicle	<u>(17,203)</u>	<u>(16,369)</u>
Net cash provided (used) by financing activities	<u>1,155,464</u>	<u>(16,369)</u>
Increase in cash and cash equivalents	987,648	103,685
Cash, beginning of year	<u>403,741</u>	<u>300,056</u>
Cash, end of year	<u>\$1,391,389</u>	<u>\$ 403,741</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 8,119</u>	<u>\$ 9,910</u>

See accompanying notes

CIVICORPS
Notes to Financial Statements
June 30, 2020

Note 1 - Organization and nature of activities

Civicorps, a California nonprofit public benefit corporation and local conservation corps, provides youth aged 18-26 in Oakland's East Bay with a premier high school, job training and college preparation experience. Its students are disadvantaged youth who have previously dropped out of school and face multiple barriers to success.

Founded in 1983, Civicorps was one of the first local conservation corps in the country providing meaningful outdoor work experiences to youth in the East Bay's parks and natural areas. Within a number of years of its founding, it became clear that one of the most critical needs was the lack of real educational opportunities for youth who had dropped out of school without a high school diploma. After years of preparation, in 1995, Civicorps was granted a charter by the Oakland Unified School District to open the only high school specifically for youth aged 18-26. In recognition of the quality of the academic preparation and teaching, Civicorps Academy was granted accreditation by the Western Association of Schools and Colleges (WASC) in 2012, making it the only accredited high school program for 18-26 year olds in the East Bay.

The three main programs within the Civicorps organization include:

Civicorps Academy

As described above, the Civicorps Academy is a charter school within the Oakland Unified School District and it is accredited through the WASC. More importantly, it is a high school that serves an underprivileged population that might not have many other options for educational opportunities within their local communities. The Academy provides an environment that links recovery, community improvement, and intense individualized instruction with an emphasis on Math, English, Science, and Social Studies.

Job Training Program

The Job Training Program provides students with the opportunity to gain work experience and job skills in relevant industries. Students work towards their high school diplomas and at the same time gain experience in natural and urban resource work. Civicorps funds this program through contract fees for work performed.

CIVICORPS
Notes to Financial Statements
June 30, 2020

Note 1 - Organization and nature of activities (continued)

Recycling Training Program

The Civicorps Recycling Training Program collects recyclables and other waste products from small businesses, commercial enterprises and institutions in the East Bay. Through these services, Civicorps provides valuable job training for drivers leading to well-paying jobs. Civicorps funds this program through service fees and a grant from CalRecycle.

Note 2 - Summary of significant accounting policies

Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Revenues are recorded when earned and expenses are recorded when the related obligation is incurred.

New pronouncements

Effective June 1, 2019, Civicorps adopted the following pronouncements:

FASB ASU 2014-09, Revenue from Contracts with Customers (Topic 606), as amended. The new pronouncement establishes a new contract and control-based revenue recognition model, changes the basis for deciding whether revenue is recognized over time or at a point in time, and expands disclosures about revenue. Civicorps has implemented Topic 606 and has adjusted, if applicable, the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented. The implementation had no impact on the previously reported net assets.

FASB ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions made. The new pronouncement assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. Civicorps has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with implementation of ASU 2018-08.

CIVICORPS
Notes to Financial Statements
June 30, 2020

Note 2 - Summary of significant accounting policies (continued)

Net assets

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

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues

Revenue from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures, are recognized as revenue when the Civicorps has incurred expenditures in compliance with specific contract or grant provisions or when the performance obligations are met and delivered. Amounts received prior to incurring qualifying expenditures are reported as grant and contract advances in the statement of financial position. There were no contract assets or liabilities at June 30, 2020.

Cash

Cash consists of amounts on deposit with a commercial bank, in both interest bearing and non-interest bearing accounts, all available on demand.

Accounts receivable

Accounts receivable, all due within one year, consist principally of amounts due from various cost reimbursable contracts and grants.

CIVICORPS
Notes to Financial Statements
June 30, 2020

Note 2 - Summary of significant accounting policies (continued)

Allowance for uncollectible accounts receivable

Civicorps uses the allowance method to account for uncollectible accounts receivable. Under this method, Civicorps reviews all receivables for any problems with collection. If Civicorps feels that there may be a problem with collections, an allowance is provided for the receivable. When attempts to collect a specific receivable are unsuccessful, the account is considered uncollectible and is written off against the allowance. At June 30, 2020, Civicorps concluded that an allowance for doubtful accounts was not material of its financial position.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated productive lives of the assets of 5 to 10 years for machinery and equipment. Leasehold improvements are amortized over the shorter of the asset useful life or the remaining length of the lease. Civicorps generally expenses outlays of under \$1,000 in the period incurred.

Income taxes

The Internal Revenue Service (IRS) and State of California Franchise Tax Board approved Civicorps as exempt from federal income tax under the Internal Revenue Code (IRC) and from California bank and corporation taxes under the California Revenue and Taxation Code. In addition, the IRS approved Civicorps to receive contributions that qualify for the charitable contribution deduction under the IRC and as a publicly supported organization as described in the IRC. Accordingly, donors are entitled to the maximum charitable contribution deduction allowed by law. Management of Civicorps concluded that no activities of Civicorps jeopardized its exemption from income taxes, its classification as a "public charity" or subjected Civicorps to taxes on unrelated business income. Consequently, Civicorps did not provide for any income taxes.

Civicorps follows accounting principles generally accepted in the United States relating to the accounting for uncertainty in income taxes. Management believes that Civicorps has adequately addressed all tax positions and that there are no unrecorded tax liabilities.

Civicorps files information returns with the IRS and Franchise Tax Board (FTB). The IRS is generally open to examination three years after filing and the FTB is open to examination four years after filing.

CIVICORPS
Notes to Financial Statements
June 30, 2020

Note 2 - Summary of significant accounting policies (continued)

Prior year totals

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Allocation of functional expenses

Functional expenses of Civicorps include program and supporting expenses. Supporting expenses include management and general, and fundraising. Civicorps records expenses that directly benefit an activity to that specific activity. Civicorps allocates expenses that do not directly benefit an activity between program and supporting based on estimates of the relative benefits to each. Civicorps bases its estimates on either time spent by personnel on various activities or space used by various activities, whichever Civicorps deems more relevant to the particular expense. The management of Civicorps reviews and adjusts the estimates and bases at least annually.

Note 3 - Bank line of credit

Civicorps has an agreement with a commercial bank to provide a line of credit not to exceed \$750,000. Of the available amount, none was outstanding as of June 30, 2020. Borrowings are secured by accounts receivable and all other assets of Civicorps. Interest on amounts borrowed is due monthly at 1.50% above the bank's prime rate. The line of credit matures on November 29, 2021 and can be extended annually at the discretion of the bank.

CIVICORPS
Notes to Financial Statements
June 30, 2020

Note 4 - Note payable - vehicle

The note payable is due in monthly installments of \$1,683, including interest at 4.95%, through February 2023. The loan is secured by the same assets securing the bank line of credit. Future maturities for the years ending June 30 are as follows:

2021	\$ 18,095
2022	19,023
2023	<u>12,982</u>
Total	<u>\$ 50,100</u>

Note 5 - Note payable - Paycheck Protection Program forgivable loan

On April 22, 2020 Civicorps received loan proceeds of \$1,172,667 from a promissory note issued by Beneficial State Bank under the Paycheck Protection Program (PPP) which was established under the CARES Act and is administered by the U.S. Small Business Administration. The term on the loan is two years and the annual interest rate is 1%. Payments of principal and interest are deferred for the first six months of the loan. Under the terms of the CARES act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under the PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. Civicorps expects to meet the PPP's eligibility criteria, and expects to record the proceeds as contribution revenue at the time of forgiveness. At June 30, 2020 the entire loan balance is recorded on Civicorps' financial statements as a Note Payable. Future maturities for the years ending June 30 are as follows:

2021	\$ 521,185
2022	<u>651,482</u>
Total	<u>\$ 1,172,667</u>

CIVICORPS
Notes to Financial Statements
June 30, 2020

Note 6 - Retirement plan

Civicorps offers eligible employees a retirement plan pursuant to Section 403(b) of the Internal Revenue Code. Under this plan, Civicorps may make a discretionary matching contribution. Civicorps matches the first 4% of employee contributions to the plan. The Civicorps match for the year ended June 30, 2020 totaled \$83,448.

Note 7 – Net assets with donor restrictions

During the year ended June 30, 2020, Civicorps received certain donations that were restricted due to time and program. These net assets with donor restrictions reconcile as follows:

	<u>June 30, 2019</u>	<u>Additions</u>	<u>Releases</u>	<u>June 30, 2020</u>
Time restricted				
Y & H Soda Foundation	\$ -	\$ 50,000	\$ 25,000	\$ 25,000
The San Francisco Foundation	-	110,000	50,833	59,167
East Bay Community Foundation	7,333	40,000	20,666	26,667
Program restricted - Capital improvements				
Joseph and Vera Long Foundation	115,000	-	115,000	-
Program restricted - Corpsmember & Staff				
Recruitment and Retention				
Crankstart Foundation	147,870	-	147,870	-
Workforce Training program				
Crankstart Foundation	-	200,000	200,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	<u>\$ 270,203</u>	<u>\$ 400,000</u>	<u>\$ 559,369</u>	<u>\$ 110,834</u>

Note 8 - Commitments

Rental expense for office and program facilities for the year ended June 30, 2020 was \$336,480. Future minimum payments under non-cancelable operating leases for the years ending June 30 are as follows:

2021	\$ 343,602
2022	349,968
2023	359,058
2024	<u>181,800</u>
Total	<u>\$ 1,234,428</u>

CIVICORPS
Notes to Financial Statements
June 30, 2020

Note 8 – Commitments (continued)

Deferred rent of \$56,748 in the accompanying statement of financial position results from the excess of rent expense recorded on a straight-line basis over the lease term above the amount of the monthly payments due during the earlier periods of the lease term.

Note 9 - Concentrations, risks and uncertainties

At various times during the year ended June 30, 2020, cash balances at individual banks exceeded federal insurance limits.

Civicorps has received support that is subject to audit or review by the grantor agencies. Management believes that Civicorps has complied with all aspects of the grant provisions and that disallowed costs, if any, would be insignificant to the financial position of Civicorps.

Civicorps receives significant funding pursuant to cost reimbursement contract with the State of California. For the year ended June 30, 2020 these contracts represented approximately 19% of Civicorps' total revenues. A decrease, if any, in future funding from the State of California could have a significant impact on Civicorps programs.

Contract revenues in the accompanying statement of activities and changes in net assets are earned under fee for service contracts principally with local governmental agencies in the San Francisco Bay Area.

Note 10 - Subsequent events

Civicorps evaluated subsequent events for recognition and disclosure through December 22, 2020, the date which these financial statements were available to be issued.

During the year ended June 30, 2019, certain of the non-corpsmember staff of Civicorps voted to form a union. Civicorps has recognized two distinct bargaining units, both of which are represented by the California Teachers Association (CTA). Civicorps' Board ratified Certified Bargaining Agreements (CBA's) with both units at its regularly scheduled board meeting on September 17, 2020. The terms contained in the CBA's will not have a significant impact on Civicorps operations or financial results.

CIVICORPS
Notes to Financial Statements
June 30, 2020

Note 10 - Subsequent events (continued)

The fees Civicorps pays to process material collected under its recycling program increased significantly in July 2020. The increase in rates is a direct result of the downturn in global markets for recyclable material and Civicorps expects to be paying these higher rates for the foreseeable future. Civicorps is passing a substantial portion of these costs on to its customers through increased service rates, effective January 1, 2021.

Note 11 - Liquidity and availability of financial assets

The following table reflects Civicorps' financial assets as of the statement of financial position date of June 30, 2020. As of this date there were no contractual or donor-imposed restrictions.

Cash and cash equivalents	\$ 1,391,389
Accounts receivable	<u>1,535,864</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,927,253</u></u>