

Report to Minnesota State Legislature on State Appropriations

July 1, 2011 - June 30, 2012



Conservation Corps Minnesota
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Purpose of this report

The purpose of this report is to provide an accurate accounting of Conservation Corps Minnesota’s expenditures of state appropriations and subsequent accomplishments for the time period July 1, 2011 through June 30, 2012. The report is created for the committees of jurisdiction in the Minnesota House of Representatives and Senate and the State Legislature in general.

Conservation Corps Minnesota overview

Conservation Corps Minnesota traces its roots to the 1930s Civilian Conservation Corps, which provided natural-resource jobs to unemployed young men so they could support their families during the Great Depression. Later, in the 1970s, the federal government launched the summer Youth Conservation Corps and the year-round Young Adult Conservation Corps, continuing the employment of young people in productive conservation work. When federal support for conservation corps ended in 1981, the Minnesota Conservation Corps was created by the Minnesota Legislature to offer youth and young adult programs through the Minnesota Department of Natural Resources. In 1999, the Friends of the Minnesota Conservation Corps was incorporated as a 501(c)(3) nonprofit organization by community supporters and program alumni, and the nonprofit assumed operations of the Minnesota Conservation Corps in 2003.

In January 2010, the Minnesota Conservation Corps changed its legal name to Conservation Corps, dba Conservation Corps Minnesota, to be consistent with the brand we established in 2009 when we launched Conservation Corps Iowa with funding from AmeriCorps and Iowa project partners. Minnesota state appropriations are not used to support the Iowa program.

The Corps continues to be a successful, cost-effective organization built on public partnerships. The Corps has diversified its funding sources and continues to produce high-quality work at an affordable rate. Young people who serve in Conservation Corps Minnesota gain valuable job and personal skills that help them build successful careers.

In 2012, more than 500 youth and young adults enrolled in Conservation Corps programs. Young adult AmeriCorps members worked throughout the state to restore native habitats, improve access to outdoor recreational opportunities, install energy conservation systems in homes, provide community outreach and serve as apprentices with Soil and Water Conservation Districts throughout Minnesota. Young adults also led youth in Conservation Corps Minnesota’s two programs for high school students: our afterschool Youth Outdoors program and residential Summer Youth Corps. All participants received a stipend and AmeriCorps members received an education award for college and qualified student loan expenses after completing their service term. These service-learning experiences change young people’s lives and prepare them for natural resource, green industry and community leadership careers.

Governing legislation

On July 1, 2003, the Minnesota Conservation Corps transferred operations from the Minnesota Department of Natural Resources (DNR) to the nonprofit 501(c)(3) Friends of the Minnesota Conservation Corps, which assumed governance responsibility over policies, fiscal management and advancement of Conservation Corps' mission.

The Minnesota State Legislature made the transfer to nonprofit status official through 2003 Session Law, Chapter 128, Article 1, Sec. 35. [84.991]. In addition, the DNR and Conservation Corps entered into a joint powers agreement (CFMS Contract No. A50895) on July 17, 2003. This agreement is renewed every two years, most recently on July 1, 2011.

2.3 Fund Integrity: Conservation Corps Minnesota will utilize Natural Resources Funds only for the purposes for which they were intended. Conservation Corps Minnesota will provide an accurate accounting of expenditures of Natural Resources Funds and project accomplishments annually to the legislature, the Commissioner of Natural Resources, and the House and Senate Committees with jurisdiction over environment and natural resources policy and finance.

Mission and initiatives

Conservation Corps Minnesota provides hands-on environmental stewardship and service-learning opportunities to youth and young adults while accomplishing conservation, natural resource management and emergency response work.

Our goals are to help young people from diverse backgrounds become more connected to the environment, engaged in conservation, involved in the community and prepared for future employment. In 2012, we realized our mission and accomplished our goals through the following initiatives:

AmeriCorps opportunities for young adults, ages 18-25, include non-residential **Field Crews** in northern, central and southern Minnesota that engage young adults in conservation, natural resource management and emergency response work from February to December. **Home Energy Squads** work in teams of two, led by Neighborhood Energy Connection staff, to install energy-efficiency measures, such as programmable thermostats, door weather stripping, low-flow shower heads and faucet aerators, in Twin Cities homes. **Conservation Apprentices** serve at Soil and Water Conservation Districts across Minnesota, from May through August, assisting with surveying, monitoring, runoff prevention and landowner outreach. **Conservation Corps Specialists** serve in nonprofit and government agencies focused on natural resource management and energy, assisting with community outreach, resource management and technical field work. For the final season of a four-year program, **Seasonal Trail Crews** worked in Superior National Forest and spike camped for eight-day stretches while they improved wilderness trails.

AmeriCorps young adults are also **Youth Leaders** for two Conservation Corps programs that engage teens, ages 15 to 18, in outdoor service-learning. Our rural residential **Summer Youth Corps** unplugs teenagers from modern intrusions during two summer sessions, each four weeks long. Youth begin at a rural base camp, then spike camp through the region, working in crews of six youth and two AmeriCorps leaders each, as they restore natural resources. **Youth Outdoors** engages Twin Cities teens in service-learning 12 hours per week, afterschool and Saturdays during the school year. Youth earn a stipend while revitalizing local neighborhoods, leading volunteers and engaging in educational activities.

All Conservation Corps programs devote 20 percent of program time to technical-skills training, career-building skills such as resume writing, interviewing and financial management, and educational activities focused on environmental science and technology.

Corps functions

- Public service — Conservation Corps Minnesota serves public agencies and nonprofit organizations for the common good.
- Youth and young adult development — The Corps provides training and work opportunities to youth and young adults to create positive outcomes for Minnesota communities. Corpsmembers receive intensive training, preparing them for natural resource, green industry and other related jobs. Developing a strong work and community service ethic is the foundation of the Conservation Corps philosophy.
- Conservation and stewardship — The Corps completes projects that improve our environment, conserve energy and change corpsmembers' lives through a commitment to community service.

2012 Participants

This past year, 528 youth and young adults served with **more than 120** project hosts, completing natural resource and energy conservation projects across Minnesota. Young adult participants, age 18-25, are enrolled in AmeriCorps.

| | | | |
|--------------|---|------------|-------------------------------|
| PARTICIPANTS | Summer Youth Corps enrollments | 135 | Youth, 15-18 |
| | Summer youth leaders | 30 | Young adults, 18-25 |
| | Youth Outdoors enrollments | 84 | Youth, 15 to 18 |
| | Youth Outdoors leaders | 17 | Young adults, 18-25 |
| | Field Crew members | 151 | Young adults, 18-25 |
| | Seasonal Trail Crew members | 43 | Young adults, 18-25 |
| | Home Energy Squad members | 20 | Young adults, 18-25 |
| | Apprenticeship Academy members | 35 | Young adults, 18-25 |
| | Conservation Corps specialists - DNR | 7 | Young adults, 18-25 |
| | Summer single placements | 6 | Young adults, 18-25 |
| | TOTAL PARTICIPANTS | 528 | Youth and young adults |
| STAFF | Full-time staff | 26 | staff |
| | Part-time and temporary staff | 1 | staff |
| | Board of directors | 13 | directors |
| OPERATIONS | Summer youth crews (two sessions) | 24 crews | 6 youth, 2 leaders per crew |
| | Youth Outdoors (2 school semesters) | 14 crews | 6 youth, 2 leaders per crew |
| | Young adult field crews | 34 crews | 5 to 6 member crews |
| | Seasonal trail crews - Superior National Forest | 8 crews | 5 member crews |

Reporting period

Conservation Corps Minnesota changed its fiscal year to a calendar fiscal year, starting January 2010, replacing the previous July 1 to June 30 fiscal year. However, this report correlates with revenue and expenses during the state fiscal year, July 1, 2011 through June 30, 2012.

Use of State funds

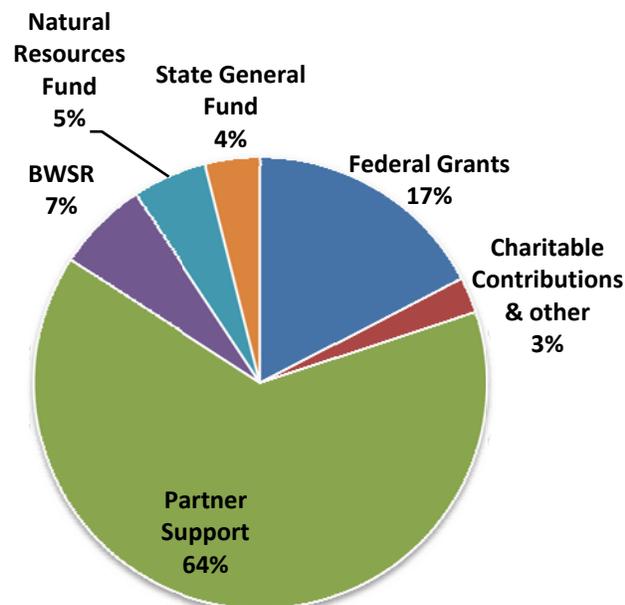
In the last biennial budget, Conservation Corps Minnesota's state appropriation was reduced from \$945,000 per year in the 2010-11 biennium to \$846,000 in FY 2012 and \$746,000 in FY 2013. The dedicated Natural Resources Funds appropriation of \$490,000 per year was not reduced. However, General Funds were reduced from \$455,000 to \$356,000 in FY 2012 and to \$256,000 in FY 2013. The General Fund appropriation in the FY08-09 biennium was \$475,000 per year.

| | FY 2012 | FY2013 |
|--------------------|------------------|------------------|
| General Funds | \$356,000 | \$256,000 |
| Dedicated NR Funds | \$490,000 | \$490,000 |
| TOTAL | \$846,000 | \$746,000 |

FY 2012 revenue and support

In the State Fiscal Year 2012, Conservation Corps Minnesota generated more than \$5.8 million — dash 64% of its revenue — from fee-for-service partner support. The chart below shows FY 2012 revenue breakdowns, including previously-received funds that were released from restriction.

| Revenue | Unrestricted | Restricted - Released | Total |
|--|---------------------|-----------------------|---------------------|
| Partner Support (fee-for-service) | \$ 5,861,908 | | \$ 5,861,908 |
| Other income | \$ 7,077 | | \$ 7,077 |
| Support | | | |
| Federal Grant | \$ 1,581,359 | | \$ 1,581,359 |
| Contributions | \$ 124,860 | \$101,955 | \$ 226,815 |
| General Fund | | \$356,000 | \$356,000 |
| Natural Resources Fund | | \$490,000 | \$490,000 |
| Board of Water and Soil Resources | \$ 597,021 | | \$ 597,021 |
| TOTAL | | | \$9,120,180 |



REPORT TO DEPARTMENT OF NATURAL RESOURCES

Conservation Corps Minnesota's joint power agreement with the DNR requires an annual report that accounts for Conservation Corps Minnesota's Natural Resources Fund expenditures and accomplishments. The 2012 report to the DNR is included in its entirety in this report.

Use and importance of Natural Resources Fund for Conservation Corps

Conservation Corps Minnesota is an effective investment of state monies for natural resource restoration and conservation. The return on investment includes improvements in water quality, wildlife habitats and public access to outdoor recreation and energy conservation. In addition, young people receive work-skills training from natural resource professionals, as well as civic leadership skills that help prepare them for future jobs.

The Natural Resources Fund (NRF) impacts the Conservation Corps in a variety of ways:

- Projects funded through NRF directly benefit Minnesota's natural resources and the public's use and enjoyment of those resources.
- NRF projects provide quality corpsmember experiences, compatible with the Corps mission.
- Corpsmembers are given the opportunity to work directly with DNR programs and professionals, offering valuable career-shadowing experiences.
- The funds provide a stable source of funding for Conservation Corps programs.

Dedicated fund account distribution

Conservation Corps Minnesota was appropriated \$490,000 of Natural Resource Fund dollars each year for biennium 2012-2013. In the agreement for FY 2012, DNR and Conservation Corps Minnesota agreed to the following dollar distribution:

2.2 Natural Resources Fund Appropriation (per fiscal year). Conservation Corps Minnesota direct appropriation of Natural Resources Funds shall be distributed at the beginning of each fiscal year in the following manner:

- a) Water Recreation Account: \$175,000
Expenditures from this account shall be for acquisition, development, maintenance and rehabilitation of sites for public access and boating facilities on public waters; lake and river improvement; development of water access sites within state parks; watercraft safety; exotic species inspections and control.
- b) All-Terrain & Off-Highway Vehicle Account: \$75,000
Expenditures from this account shall be for development, construction and maintenance of state trails, education and training, and program support and administration.
- c) Snowmobile Trails Account: \$115,000
Expenditures from this account shall be for the administration, design, construction, maintenance and grooming of snowmobile trails.
- d) State Parks Account: \$125,000
Expenditures from this account shall be for construction, maintenance and natural resource management projects in state parks.

Conservation Corps expenditure of Natural Resources Funds by hours

| | Biennium total | FY12 expended |
|-------------------|---------------------------|--------------------------|
| Water Recreation | 17,282 | 7,947 |
| ATV/OHV Trails | 7,458 | 2,894 |
| Snowmobile Trails | 10,926 | 5,451 |
| State Parks | 13,630 | 6,458 |
| TOTAL | 49,296 | 22,750 |

Conservation Corps expenditure of Natural Resources Funds by dollars

| | Biennium total | FY12 expended |
|-------------------|---------------------------|--------------------------|
| Water Recreation | \$350,000 | \$161,750 |
| ATV/OHV Trails | \$150,000 | \$60,774 |
| Snowmobile Trails | \$230,000 | \$114,471 |
| State Parks | \$250,000 | \$117,312 |
| TOTAL | \$980,000 | \$454,307 |

Work Accomplishments: July 1, 2011 - June 30, 2012

Conservation Corps Minnesota used Natural Resources Funds in accordance with the Joint Powers Agreement between the Conservation Corps and DNR. The following table summarizes the work accomplished and total corpsmember hours expended from each dedicated fund.

| Water Recreation Fund | Amount | Units | Hours |
|--|--------------------|--------------|-----------------|
| Boundary Work/Signing | 85 | hours | 85 |
| Campsite Establishment/Maintenance | 25 | sites | 370 |
| Community Outreach | 440 | hours | 440 |
| Construction/Carpentry | 50 | hours | 50 |
| Debris Removal/Litter Pick-up | 6,720 | pounds | 440 |
| DNR Water Recreation Specialist Management | 1,334 | hours | 1,334 |
| Dock/Pier Construction | 254 | feet | 490 |
| Environmental Education | 5,266 | people | 201 |
| Erosion Control/Slope Stabilization | 208 | sq. feet | 24 |
| Grounds Maintenance | 140 | hours | 140 |
| Public Access Maintenance | 255 | hours | 255 |
| River Obstruction Removal | 8.1 | miles | 205 |
| Technical Skills Training | 74.25 | hours | 74.25 |
| Tree Removal | 263 | trees | 260 |
| Vegetation Removal | 141.75 | acres | 2,436 |
| Water Trail Construction/Improvement | 23,824 | feet | 1,033 |
| Wetland Restoration | 110 | Hours | 110 |
| | TOTAL HOURS | | 7,947.25 |

| ATV/OHV Fund | Amount | Units | Hours |
|------------------------------------|--------|-------|--------------|
| ATV Technical Skills Training | 494 | hours | 494 |
| ATV/OHV Trail Construction | 580 | feet | 80 |
| ATV/OHV Trail Improvement | 102 | miles | 1,273 |
| Boundary Work/Signing | 100 | hours | 100 |
| Campsite Establishment/Maintenance | 70 | sites | 300 |
| Education/Training Provided | 52 | hours | 52 |
| Trail Structure Installation | 1,200 | feet | 465 |
| Vegetation Removal | 2 | acres | 130 |
| TOTAL HOURS | | | 2,894 |

| Snowmobile Fund | Amount | Units | Hours |
|--------------------------------------|--------|--------|--------------|
| Construction/Carpentry | 92 | hours | 92 |
| Debris Removal/Litter Pick-up | 1,000 | pounds | 100 |
| Snowmobile Technical Skills Training | 50 | hours | 50 |
| Snowmobile Trail Improvement | 339 | miles | 4,164 |
| Timber Stand Improvement | 4 | acres | 15 |
| Tree Removal | 2,500 | trees | 850 |
| Vegetation Removal | 14.5 | acres | 180 |
| TOTAL HOURS | | | 5,451 |

| State Parks Fund | Amount | Units | Hours |
|-------------------------------------|---------|--------------|--------------|
| Animal Exlosures/Fencing | 528.5 | feet | 140 |
| ATV/OHV Trail Improvement | 6.75 | miles | 184.5 |
| Campsite Establishment/Maintenance | 71 | sites | 175 |
| Construction/Carpentry | 208 | hours | 208 |
| Debris Removal/Litter Pick-up | 13,244 | pounds | 133 |
| Dock/Pier Construction | 175 | feet | 72 |
| Erosion Control/Slope Stabilization | 13,188 | sq. feet | 179.5 |
| Exotic/Invasive Species Management | 166.38 | acres | 1,692.5 |
| Grounds Maintenance | 214 | hours | 214 |
| Non-motorized Trail Construction | 5,062.5 | feet | 503 |
| Non-motorized Trail Improvement | 15.4 | miles | 1,197.5 |
| Planting | 158 | plants/trees | 19 |
| Prairie Seed Collection | 100 | hours | 100 |
| Prescribed Burning | 462 | acres | 200 |
| Recreation Area Maintenance | 140 | hours | 140 |
| Seeding | 15,700 | sq. feet | 24.5 |
| Snowmobile Trail Improvement | 7,920 | feet | 102.5 |
| Timber Stand Improvement | 25 | acres | 350 |
| Tree Removal | 378 | trees | 565 |
| Upland Forest Restoration | 180 | hours | 180 |
| Vegetation Removal | 1 | acre | 78 |
| TOTAL HOURS | | | 6,458 |

Fund management

Conservation Corps Minnesota uses the following procedure to ensure the Natural Resources Funds are properly accounted for:

1. Conservation Corps field staff and a potential project host discuss a project that qualifies under the NRF definition.
2. Conservation Corps and the project host agree on the scope, terms, timing and goals of the project.
3. Conservation Corps and the project host sign a contract that outlines these items and indicates the NRF as the project funding source.
4. Conservation Corps assigns an internal project number to track the project and funding source.
5. Conservation Corps crews complete the project.
6. Conservation Corps tracks the hours used on the project with timesheets and the payroll system. The Corps also tracks work accomplished for each project through a Survey of Accomplished Work (SAW) reporting system.

Use of General Fund dollars

The Minnesota State Legislature appropriated \$356,000 in state general funds to Conservation Corps Minnesota for fiscal year 2012 and \$256,000 for fiscal year 2013. These dollars are essential to Conservation Corps Minnesota's continued operation. Without these general fund dollars, the Corps would not be able to:

Fund general operating expenses: General funds have been used to cover front-end costs, including a portion of general operating and administrative expenses. General funds provide base revenue for resources needed to adequately train, equip and support youth and young adults enrolled in Conservation Corps Minnesota programs. We could not operate at our current level without these funds.

Operate both Summer Youth Corps and Youth Outdoors programs: Our summer and afterschool youth programs success is well documented, exceeding almost every outcome goal for both programs. The service youth provide in restoring resources and leading community volunteers, and the environmental science and job-skills training they receive is a life-changing experience for well over 200 youth annually. With general fund dollars providing a base level of support, the Summer Youth Corps and Youth Outdoors programs are able to generate additional dollars through project partner and foundation support.

Help generate fee-for-service work: Fee-for-service work generates revenue from a variety of project hosts who partner with Conservation Corps Minnesota. General fund dollars provide a base level of support so Conservation Corps programs are in a position to generate fee-for-service contracts, especially with partners such as city and county parks, other local nonprofits and federal agencies. Typically these projects are not covered by dedicated funds or performed in conjunction with other state project hosts.

Conservation Corps Minnesota contributions to the state

With General Fund dollars as the catalyst, Conservation Corps Minnesota was able to positively impact the lives of more than 500 youth and young adults last year. Beyond the impact on program participants, Conservation Corps Minnesota improves the quality of life of countless Minnesotans by conserving natural resources and energy.

In 2012, Conservation Corps Minnesota completed 447,933 hours of work that improved the environment, our communities and the lives of young people who participate in our programs. Whether maintaining recreational trails, restoring native habitats or leading community volunteers, Conservation Corps service projects are important to the health of Minnesota.

Conservation Corps Minnesota also plays a crucial role in responding to natural disasters such as floods, tornadoes and wildfires. All young adult corpsmembers are “Red Card Certified,” which enables them to respond to calls to suppress wildfires. Conservation Corps Minnesota works closely with the Interagency Fire Center in Grand Rapids, Minn. to dispatch crews effectively and efficiently.

Financial management systems

Conservation Corps Minnesota has taken a proactive stance in developing sound financial management systems and financial integrity. The Corps’ financial system continues to employ clear lines of authority, separation of duties, multiple layers of approval for cash disbursements and annual independent audits as part of its fiscal control policies. The Conservation Corps Board of Directors has an active and engaged Finance Committee that oversees staff activities.

Also, the finance staff has participated in workshops and training, sponsored by the Corporation for National and Community Service, Minnesota Council of Nonprofits, Nonprofit Assistance Fund and University of St. Thomas, to stay current with changing financial standards.

Conservation Corps Minnesota uses the accounting services of Abdo, Eick & Meyers LLP, a firm that is experienced in working with nonprofit organizations. Audits have been completed annually each year since 2003 when Corps operations transitioned to an independent nonprofit. The Corps has received an “unqualified” opinion on all audits, which is the best opinion a firm can give.

Current board of directors

John Velin, Chair

Former Executive Director — Legislative-Citizen Commission on Minnesota Resources.

John Lilly, 1st Vice Chair

Former Manager — Minnesota DNR Parks and Recreation Division

Christine Goepfert, 2nd Vice Chair

Midwest Program Manager — National Parks Conservation Association
Former Board President — African American Action Committee.

Barbara Sommer, Secretary

Oral historian, presenter and author for museums and historical research projects nationwide
Former Carlton County Historical Society Director

Jer Jian Koh, Treasurer

Audit Supervisor — Boyum & Barenscheer PLLP; holds CPA, CIA and MBA

Monty Dehn

Former Hennepin County Deputy Sheriff; Civilian Conservation Corps alumnus

Jennifer Goepfert

English Teacher — Stillwater Area High School

David Hile

Former Hennepin County Law Enforcement Professional

Anna Kucera

Marketing & Public Relations Director — National Multiple Sclerosis Society, Upper Midwest Chapter.

Richard Leopold

Executive Director — Dickinson County Conservation Board

Shawn R. Murphy

CEO — Tradition Creek, Saint Paul; Former member of DNR Citizen Advisory Committee for Lake Vermilion State Park

Mike Nevala

Principal Environmental Scientist — Metropolitan Council; Summer Youth Corps alumna parent

Mark Skeie

Founder of Mapping Your Retirement, Inc.; Former 3M department and project manager

CONSERVATION CORPS
(A NOT-FOR-PROFIT ORGANIZATION)

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2011

CONSERVATION CORPS
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DECEMBER 31, 2011

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Conservation Corps
St. Paul, Minnesota

We have audited the accompanying statement of financial position of Conservation Corps (the Organization), a Minnesota not-for-profit corporation, as of December 31, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2011 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2012, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 information is fairly stated in all material respects in relation to the financial statements taken as a whole.

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

May 8, 2012
Apple Valley, Minnesota

FINANCIAL STATEMENTS

CONSERVATION CORPS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

ASSETS

CURRENT ASSETS

| | |
|---------------------------|---------------|
| Cash and cash equivalents | \$ 1,956,044 |
| Accounts receivable | 1,253,944 |
| Prepaid expenses | <u>24,899</u> |

TOTAL CURRENT ASSETS 3,234,887

PROPERTY AND EQUIPMENT

| | |
|-------------------------------|------------------|
| Equipment | 275,728 |
| Less accumulated depreciation | <u>(214,668)</u> |

NET PROPERTY AND EQUIPMENT 61,060

OTHER ASSETS

| | |
|------------------------------------|--------------|
| Deposits - lease security deposits | <u>9,533</u> |
|------------------------------------|--------------|

TOTAL ASSETS \$ 3,305,480

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|------------------------------|---------------|
| Accounts payable | \$ 88,106 |
| Accrued expenses | |
| Accrued payroll | 81,259 |
| Compensated absences payable | <u>35,661</u> |

TOTAL CURRENT LIABILITIES 205,026

NET ASSETS

UNRESTRICTED NET ASSETS

| | |
|---------------------------------|---------------|
| Unrestricted, general operating | 2,549,915 |
| Unrestricted, board designated | <u>18,054</u> |

TOTAL UNRESTRICTED NET ASSETS 2,567,969

TEMPORARILY RESTRICTED NET ASSETS

532,485

TOTAL NET ASSETS 3,100,454

TOTAL LIABILITIES AND NET ASSETS \$ 3,305,480

See Independent Auditor's Report and Notes to Financial Statements.

CONSERVATION CORPS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

| | Unrestricted | Temporarily Restricted | Total |
|--|---------------------|---------------------------|---------------------|
| SUPPORT AND REVENUE | | | |
| Support | | | |
| Federal grants | \$ 1,724,256 | \$ - | \$ 1,724,256 |
| State grants | - | 846,000 | 846,000 |
| Contributions | 18,592 | 134,225 | 152,817 |
| In-kind contributions | 20,343 | - | 20,343 |
| Revenue | | | |
| Partner support | 5,149,320 | - | 5,149,320 |
| Interest | 8,098 | - | 8,098 |
| | 6,920,609 | 980,225 | 7,900,834 |
| NET ASSETS RELEASED FROM RESTRICTIONS | 1,686,681 | (1,686,681) | - |
| EXPENSES | | | |
| Program services | | | |
| Youth programs | 962,942 | - | 962,942 |
| Young adult programs | 5,197,720 | - | 5,197,720 |
| Single placements programs | 716,984 | - | 716,984 |
| Supporting services | | | |
| Management and general | 414,055 | - | 414,055 |
| Fundraising | 39,448 | - | 39,448 |
| | 7,331,149 | - | 7,331,149 |
| CHANGE IN NET ASSETS | 1,276,141 | (706,456) | 569,685 |
| BEGINNING NET ASSETS | 1,291,828 | 1,238,941 | 2,530,769 |
| ENDING NET ASSETS | \$ 2,567,969 | \$ 532,485 | \$ 3,100,454 |

See Independent Auditor's Report and Notes to Financial Statements.

CONSERVATION CORPS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

| | Program Services | | | | Supporting Services | | Total |
|--|-------------------|----------------------|----------------------------|---------------------|------------------------|------------------|---------------------|
| | Youth Programs | Young Adult Programs | Single Placements Programs | Total | Management and General | Fundraising | |
| Staff salaries and payroll taxes | \$ 158,504 | \$ 655,248 | \$ 107,231 | \$ 920,983 | \$ 238,631 | \$ 22,776 | \$ 1,182,390 |
| Staff benefits | 18,839 | 96,875 | 12,852 | 128,566 | 41,592 | 3,327 | 173,485 |
| Corpsmember living allowance and payroll taxes | 464,158 | 2,909,229 | 494,915 | 3,868,302 | - | - | 3,868,302 |
| Corpsmember benefits | 14,932 | 151,235 | 17,293 | 183,460 | - | - | 183,460 |
| Workers compensation | 18,129 | 67,595 | 11,487 | 97,211 | 1,934 | - | 99,145 |
| Direct program | 81,029 | 396,569 | 12,377 | 489,975 | 317 | - | 490,292 |
| Fleet, communications, and training | 152,296 | 734,067 | 42,049 | 928,412 | 4,069 | - | 932,481 |
| Insurance | 6,125 | 20,168 | 3,827 | 30,120 | 2,688 | - | 32,808 |
| Space cost and utilities | 33,917 | 122,403 | 9,673 | 165,993 | 6,664 | - | 172,657 |
| Office supplies and depreciation | 4,509 | 22,760 | 269 | 27,538 | 8,885 | 661 | 37,084 |
| Professional fees | 4,110 | 2,235 | 275 | 6,620 | 75,891 | 9,627 | 92,138 |
| Marketing and printing | 275 | 597 | 18 | 890 | 7,293 | 2,538 | 10,721 |
| Staff travel and meetings | 2,009 | 9,172 | 2,249 | 13,430 | 6,821 | 70 | 20,321 |
| Recruitment | 2,484 | 5,146 | 1,798 | 9,428 | 58 | - | 9,486 |
| Financial and bank fees | - | - | - | - | 1,192 | - | 1,192 |
| Other | 1,626 | 4,421 | 671 | 6,718 | 18,020 | 449 | 25,187 |
| Total | \$ 962,942 | \$ 5,197,720 | \$ 716,984 | \$ 6,877,646 | \$ 414,055 | \$ 39,448 | \$ 7,331,149 |
| | 13% | 71% | 10% | 94% | 6% | 0% | 100% |

See Independent Auditor's Report and Notes to Financial Statements.

CONSERVATION CORPS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

| | |
|---|--------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Increase in net assets | \$ 569,685 |
| Adjustment to reconcile increase in net assets to net cash provided by operating activities: | |
| Depreciation | 14,940 |
| Changes in assets and liabilities | |
| Accounts receivable | (750,923) |
| Prepaid expenses | 24,594 |
| Deposit | (400) |
| Accounts payable | (17,129) |
| Accrued payroll | 6,762 |
| Compensated absences payable | <u>(2,667)</u> |
| NET CASH USED BY OPERATING ACTIVITIES | <u><u>(155,138)</u></u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of equipment | <u>(34,154)</u> |
| CHANGE IN CASH AND CASH EQUIVALENTS | (189,292) |
| BEGINNING CASH AND CASH EQUIVALENTS | <u>2,145,336</u> |
| ENDING CASH AND CASH EQUIVALENTS | <u><u>\$ 1,956,044</u></u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | |
| Cash paid during the year for: | |
| Interest | <u><u>\$ -</u></u> |
| Income taxes | <u><u>\$ -</u></u> |

See Independent Auditor's Report and Notes to Financial Statements.

CONSERVATION CORPS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The Conservation Corps (the Organization) provides meaningful work for young people in managing natural resources, responding to disasters, conserving energy, and leading volunteers. In addition to training in resource management, safety, job-readiness, and technical skills, the Organization helps young people develop personal responsibility, a strong work ethic, and greater awareness of environmental stewardship.

The Organization traces its roots to the 1930s Civilian Conservation Corps, which provided natural resource jobs to unemployed young men so they could support their families during the Great Depression. Later, in the 1970s, the federal government launched the summer Youth Conservation Corps and the year-round Young Adult Conservation Corps, continuing the employment of young people in productive conservation work. When federal support for conservation corps ended in 1981, the Minnesota Conservation Corps was created by the Minnesota Legislature to offer youth and young adult programs through the Minnesota Department of Natural Resources. In 1999, the Friends of the Minnesota Conservation Corps was incorporated as a 501(c)(3) nonprofit organization by community supporters and program alumni, and the nonprofit assumed operations of the Minnesota Conservation Corps in 2003.

In January 2010, the Friends of the Minnesota Conservation Corps changed its legal name to Conservation Corps and is doing business as Conservation Corps Minnesota & Iowa to better reflect the Organization's work as it launched a smaller model of its AmeriCorps field crew program in Ames, Iowa. The Organization's goals are to help young people from diverse backgrounds become more connected to the environment, engaged in conservation, involved in the community and prepared for future employment through the following initiatives:

AmeriCorps opportunities for young adults, ages 18 to 25, including non-residential field crews in northern, central, and southern Minnesota and central Iowa that engage young adults in natural resource, renewable energy, and emergency response work from February to December. Home Energy Squads work year-round installing energy-saving measures such as weather-stripping and programmable thermostats in homes throughout the Twin Cities. Seasonal trail crews spike camp for eight-day stretches while they improve the trails in Superior National Forest. Conservation Corps Specialists are placed in several Minnesota Department of Natural Resources outreach, water recreation, and GIS service positions. In 2011, the Organization launched the Conservation Apprenticeship Academy. The Organization's Apprentices serve in Minnesota Soil and Water Conservation Districts over the summer. Others serve as interpreters and resource specialists at the Forest History Center in Grand Rapids, Minnesota.

AmeriCorps young adults are also Youth Leaders for two programs that engage teens, ages 15 to 18, in outdoor service learning:

The Organization's residential Summer Youth Corps unplugs teenagers from TVs, iPods, and other modern intrusions for eight weeks over the summer. Youth begin at a rural base camp then spike camp through the region, working in crews of six youth and two AmeriCorps leaders each as they restore natural resources.

Youth Outdoors engages diverse urban teens from disadvantaged neighborhoods in out-of-school education activities and service-learning projects during the 12-week fall and spring semesters and a four-week summer session. Youth earn a stipend while revitalizing local neighborhoods, managing natural resources, and leading volunteers.

All of the Organization's programs devote 20% of program time to technical-skills training, career-building skills, such as resume writing and interviewing, and educational activities focused on environmental science and technology. Using scientific inquiry and experimental learning the Organization helps young people learn more about the world around them and think critically about the impact of their personal choices on the environment.

CONSERVATION CORPS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Contributions received are recorded as an increase in unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets

Unrestricted net assets are those resources over which the Organization has discretionary control. Designated amounts represent revenues that the Board of Directors has set aside for a particular purpose.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those resources subject to donor imposed restrictions, which will be satisfied by actions of the Organization or passage of time.

Permanently Restricted Net Assets

Permanently restricted net assets are those resources subject to donor imposed restrictions that they be maintained permanently by the Organization. There were no permanently restricted net assets at December 31, 2011.

C. Use of Estimates

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

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers short-term, highly liquid investments and investments purchased with a maturity of three months or less to be cash equivalents. The Organization's cash balances held in bank depositories may exceed federally insured limits at times.

E. Support and Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily restricted net assets and releases from restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Government grants and contracts that are considered exchange transactions are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are incurred.

The Organization uses the allowance method to determine uncollectible contributions and grants. The allowance is based on prior years' experience and management's analysis of the outstanding receivables. The Organization does not charge interest on past due accounts. Accounts are considered past due when payment has not been received within 30 days of the due date.

CONSERVATION CORPS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Support and Revenue Recognition – Continued

Accounts receivable, which consist primarily of amounts due on fee for service contracts, are recorded when earned. The Organization extends unsecured credit in the normal course of activities. These receivables do not bear any interest on unpaid balances.

The carrying amount of accounts receivable may be reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Management considers historical write-off and recovery information in determining the estimated bad debt provision. No allowance was deemed necessary for the year ended December 31, 2011.

F. Property and Equipment

Expenditures for the acquisition of property and equipment greater than \$1,000 are capitalized at cost and donated property and equipment are capitalized at fair value. Depreciation is computed on the straight-line method over the following useful lives:

| <u>Type of Equipment</u> | <u>Useful Life</u> |
|--------------------------|------------------------|
| Boats and trailers | 10 years |
| Water pumps | 10 years |
| Computer equipment | 5 years |
| ATVs and snowmobiles | 5 years |

Upon retirement or other disposition, the cost and related accumulated depreciation of disposed assets are removed from the accounts and the resulting gain or loss is recognized in income. Repairs and maintenance are charged to expense as incurred. Renewals and improvements that extend the useful lives of assets are capitalized and depreciated over future periods.

For the year ended December 31, 2011, depreciation expense was \$14,940.

G. Donated Services, Materials, and Equipment

Contributions of materials and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the use of the donated asset to a specific purpose.

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. For the year ended December 31, 2011, donated services were recognized in the amount of \$660.

Property, services, and other non-cash donations are recorded as in-kind contributions at their estimated market value at the date of donation.

H. Functional Expenses Allocation

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CONSERVATION CORPS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a).

The Organization undergoes an annual analysis of its various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities. During the year ended December 31, 2011, the Organization has not incurred any interest or penalties on its tax returns. The Organization’s tax returns are subject to possible examination by the taxing authorities. For federal tax purposes the tax returns essentially remain open for possible examination for period of three years after the date on which those returns are filed.

J. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 8, 2012, the date the financial statements were available to be issued.

Note 2: MINNESOTA CONSERVATION CORPS TRANSFER

Effective July 1, 2003, the Legislature of the State of Minnesota transferred the Conservation Corps out of the Minnesota Department of Natural Resources (DNR) to Conservation Corps. The State transferred the entity to ensure the continued operation of the Conservation Corps and the ability to contract its services.

Pursuant to the transfer, the Organization contracted with the State of Minnesota through the Commissioner of Natural Resources under a joint powers agreement. The agreement allows the Organization to utilize office space, computer networks and programs, telephone systems, fleet, and radio equipment of the DNR. The Organization is also granted rights to purchase or lease equipment and services through State contracts and to participate in certain State programs. The rates charged to the Organization are based on usage and are consistent with those charged within the DNR and the State of Minnesota. Expenses incurred for the use and access to the equipment and services were \$432,198 for the year ended December 31, 2011.

The agreement expired on June 30, 2011 and was renewed on July 1, 2011 and the renewal expires on June 30, 2013.

The joint powers agreement also identifies appropriations to the Organization out of the State’s general and natural resources fund in equal amounts for the State’s fiscal years 2011 and 2012. The funds remaining are appropriated to the Organization in 2011 for the following purposes:

| | |
|-----------------------------------|------------|
| General Operations | \$ 194,182 |
| Natural Resources Project Funds | |
| Water recreation | 102,314 |
| All-Terrain vehicle trails | 49,863 |
| Snowmobile trails and enforcement | 80,518 |
| State Parks | 24,383 |
| | \$ 451,260 |

CONSERVATION CORPS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 3: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2011:

| | |
|---|-------------------|
| General Operations | \$ 194,182 |
| Natural Resource Project Funds | |
| Water recreation development | 102,314 |
| All-Terrain vehicle trails | 49,863 |
| Snowmobile trails | 80,518 |
| Non-game wildlife | - |
| State Parks | 24,383 |
| Forestry | - |
| Programs | |
| F. R. Bigelow Foundation | 15,000 |
| Betty A Lewis University Environmental Charitable Trust | 5,725 |
| The Saint Paul Foundation | 10,000 |
| Best Buy Children's Foundation | 5,000 |
| Carlson Family Foundation | 3,000 |
| ERM Foundation - North America | 5,000 |
| Fred C. & Katherine B. Andersen Foundation | 30,000 |
| Pentair Foundation | 7,500 |
| | <u>532,485</u> |
| | <u>\$ 532,485</u> |

Net assets released from restrictions during the year ended December 31, 2011 were comprised of the following:

| | |
|---|---------------------|
| General Operations | \$ 364,091 |
| Board of Water and Soil Resources | 662,422 |
| Natural Resource Project Funds | |
| Water recreation development | 166,697 |
| All-Terrain vehicle trails | 99,547 |
| Snowmobile trails | 121,602 |
| Non-game wildlife | 40,491 |
| State Parks | 100,617 |
| Forestry | 22,792 |
| Programs | |
| F. R. Bigelow Foundation | 10,000 |
| Betty A Lewis University Environmental Charitable Trust | 5,422 |
| The Saint Paul Foundation | 15,000 |
| Best Buy Children's Foundation | 5,000 |
| Fred C. & Katherine B. Andersen Foundation | 30,000 |
| Pentair Foundation | 5,000 |
| Xcel Energy Foundation | 5,000 |
| Lloyd K. Johnson Foundation | 10,000 |
| McNeely Foundation | 8,000 |
| Andersen Corporate Foundation | 5,000 |
| Carl and Verna Schmidt Foundation | 10,000 |
| | <u>1,686,681</u> |
| | <u>\$ 1,686,681</u> |

CONSERVATION CORPS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2011

Note 4: OPERATING LEASES

The Organization leases facilities and office space under lease and sublease agreements expiring through March 2015. The leases are subject to cancellation by either party with proper notice as specified in the agreements. The leases call for monthly payments of approximately \$9,662. Rent expense under these and other lease agreements amounted to \$144,146 for the year ended December 31, 2011.

Future minimum lease payments are as follows:

| Years Ending December 31, | Amount |
|---------------------------|------------|
| 2012 | \$ 56,128 |
| 2013 | 49,734 |
| 2014 | 49,099 |
| 2015 | 13,183 |
| Total | \$ 168,144 |

Note 5: LINE OF CREDIT

The Organization has a line of credit arrangement under which it may borrow up to \$250,000 through November 30, 2012. Borrowings bear interest at 4.5% at December 31, 2011. The credit line is secured by all assets of the Organization. During the year ended December 31, 2011 there were no withdrawals and no outstanding balance as of December 31, 2011.

Note 6: CONCENTRATION

Substantially all support is received in the form of grants and contracts; therefore, the Organization is dependent upon future funding. The Organization receives grants and revenue from a few significant grantors. The Organization encounters a certain amount of credit risk as the result of a concentration of revenues from, and receivables from a few significant sources. A significant reduction in the level of support from these entities may have an impact on the Organization's ability to continue its programs and services.

Note 7: RETIREMENT PLANS

Effective January 15, 2009, the Organization adopted a Safe Harbor Retirement Savings Plan under section 401(k) of the Internal Revenue Code. The Plan provides an "enhanced safe harbor" employer must match under the following formula for eligible employees:

| Employee Deferral | Employer Match |
|----------------------|-------------------|
| 1% | 2% |
| 2% | 4% |

For the year ended December 31, 2011, the Organization's contributions were \$43,479.

OTHER REPORTS



14985 Glazier Avenue
Suite 630
Apple Valley, MN 55124

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

Board of Directors
Conservation Corps
St. Paul, Minnesota

We have audited the financial statements of Conservation Corps (the Organization), a Minnesota not-for-profit corporation, as of and for the year ended December 31, 2011, and have issued our report thereon dated May 8, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis of designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors, management, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

May 8, 2012
Apple Valley, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants



14985 Glazier Avenue
Suite 630
Apple Valley, MN 55124

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH *OMB CIRCULAR A-133*

Board of Directors
Conservation Corps
St. Paul, Minnesota

Compliance

We have audited Conservation Corps' (the Organization), a Minnesota not-for-profit corporation, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2011. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs - Federal Awards Programs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the Organization'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. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.



Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization’s internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the Organization’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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Directors, others within the Organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

May 8, 2012
Apple Valley, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

CONSERVATION CORPS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2011

| Federal Grantor/Program Title Pass-through Grantor/Pass-through Entity Identifying Number | Federal Domestic Assistance Number | Direct Federal Expenditures | Pass- Through Federal Expenditures | Federal Expenditures |
|--|---|-----------------------------------|---|-------------------------|
| <i>U.S. Department of Agriculture:</i> | | | | |
| Recovery Act of 2009: Capital Improvement and Maintenance | | | | |
| ARRA - U.S. Department of Agriculture | 10.687 | \$ 533,805 | \$ - | \$ 533,805 |
| <i>Corporation for National and Community Service:</i> | | | | |
| AmeriCorps | | | | |
| Corporation for National and Community Service | | 585,000 | - | 585,000 |
| ServeMinnesota / 09ACHMN0010005-10 | | - | 605,451 | 605,451 |
| Total AmeriCorps | 94.006 | 585,000 | 605,451 | 1,190,451 |
| Total Federal Expenditures | | <u>\$ 1,118,805</u> | <u>\$ 605,451</u> | <u>\$ 1,724,256</u> |

See accompanying notes to schedule of expenditures of federal awards

CONSERVATION CORPS
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
DECEMBER 31, 2011

Note 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirement of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: PASS-THROUGH ENTITY IDENTIFYING NUMBERS

Pass-through entity identifying numbers are presented for pass-through grants where available.

Note 3: SUBRECIPIENTS

No federal expenditures presented in this schedule were provided to subrecipients.

CONSERVATION CORPS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
MAJOR FEDERAL AWARDS PROGRAMS
YEAR ENDED DECEMBER 31, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

| | |
|---|---------------|
| Type of auditor's report issued: | Unqualified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards:

| | |
|--|---------------|
| Internal control over major programs: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified not considered to be material weaknesses | None Reported |
| Type of auditor's report issued on compliance for major programs: | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | No |

**Federal
CFDA
Number**

Identification of Major Programs:

| | |
|---|--------|
| Recovery Act of 2009: Capital Improvement and Maintenance | 10.687 |
| AmeriCorps | 94.006 |

| | |
|--|------------|
| Dollar threshold used to distinguish between Type A and Type B Programs: | \$ 300,000 |
| Auditee qualified as low-risk auditee pursuant to OMB Circular A-133 | Yes |

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT

There are no significant deficiencies, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

There are no significant deficiencies, material weaknesses, or instances of material noncompliance including questioned costs that are required to be reported in accordance with Circular A-133.

OTHER ISSUES

A Corrective Action Plan is not required because there were no current year findings required to be reported in accordance with section 510(a) of Circular A-133.

CONSERVATION CORPS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011

U.S. Department of Agriculture

For the year ended December 31, 2010:

2010-01

Condition

Conservation Corps does not currently have the necessary staff resources to prepare the full set of financial statements, including related disclosures, and provide an internal control structure to properly prevent and detect material misstatements.

Recommendation

We recommend the Organization assess the accounting staffing and that the Board review capabilities required to prepare and examine the full set of financial statements and related disclosures.

Current Status

The Organization has worked to put in place an effective internal control structure to properly prevent and detect material misstatements over financial statement preparation. The major step they have taken to mitigate the risk of material misstatement is having multiple members of management review the financial statements for completeness and accuracy, along with the finance committee perform a review prior to approval of the financial statements. Based on management's understanding of the Organization's day-to-day operations and financial information and the finance committee's strong financial reporting background, this risk has been mitigated to a level which is no longer considered a significant deficiency.

2010-02

Condition

In review of the budget and invoice tracking, it was noted there was not adequate controls in place to monitor expenses submitted for reimbursement that did not have corresponding support due to invoices being recorded twice.

Recommendation

Management should monitor expenses recorded on the general ledger and match to all expense reimbursements.

Current Status

The Organization confirms all appropriate documentation for transactions booked in the accounting system general ledger prior to submitting a claim for reimbursement, rather than relying on the grant tracking spreadsheet. No similar findings were noted in the 2011 audit.