



CITY YEAR, INC.

Financial Statements

June 30, 2021 and 2020

(With Independent Auditors Report Thereon)

CITY YEAR, INC.

Statements of Financial Position

June 30, 2021 and 2020

Assets	2021	2020
Cash and equivalents	\$ 35,189,579	36,949,014
Government grants receivable, net	15,766,175	13,789,885
Contributions receivable, net (note 9)	183,750	1,839,297
Other assets	3,941,042	1,759,597
Restricted cash (note 13)	169,801	169,801
Investments, at fair value (note 7)	24,708,415	18,407,136
Right-of-use asset	14,717,725	12,475,813
Property and equipment, net (note 10)	14,453,399	14,676,616
Total assets	<u>\$ 109,129,886</u>	<u>100,067,159</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,202,025	1,896,582
Accrued payroll and related expenses	9,452,885	7,227,597
Lease liability	15,770,364	13,443,892
Interest rate swaps (note 14)	434,558	646,962
Bonds payable (note 14)	6,160,000	6,420,000
Total liabilities	<u>36,019,832</u>	<u>29,635,033</u>
Commitments and contingencies (notes 11, 12, and 14)		
Net assets:		
Without donor restrictions	46,083,525	46,556,717
With donor restrictions (note 4)	27,026,529	23,875,409
Total net assets	<u>73,110,054</u>	<u>70,432,126</u>
Total liabilities and net assets	<u>\$ 109,129,886</u>	<u>100,067,159</u>

See accompanying notes to financial statements.

CITY YEAR, INC.

Statements of Activities

Years ended June 30, 2021 and 2020

	2021	2020
Changes in net assets without donor restrictions:		
Operations:		
Revenues and other support:		
Contributions and private grants (note 6)	\$ 68,400,029	73,453,508
Federal grants – Corporation for National and Community Service (note 11)	47,737,956	45,286,378
School district and other government grants	37,277,964	39,495,349

CITY YEAR, INC.

Statement of Functional Expenses

Year ended June 30, 2021

	Program services	Organizational support	Fundraising	Total
Personnel expenses:				
Staff salaries	\$ 56,355,576	6,897,397	11,190,615	74,443,588
Corp member stipends	47,389,624	—	—	47,389,624
Payroll taxes and employee benefits	18,888,398	1,240,217	2,113,762	22,242,377
	122,633,598	8,137,614	13,304,377	144,075,589
Other expenses:				
Consulting and professional services	4,414,046	2,384,241	542,107	7,340,394
Transportation, travel, and lodging	901,325	9,734	37,492	948,551
Conferences and training seminars	194,255	32,255	21,740	248,250
Advertising and r4()-34v899t686.343.				

CITY YEAR, INC.

Statement of Functional Expenses

Year ended June 30, 2020

	Program services	Organizational support	Fundraising	Total
Personnel expenses:				

CITY YEAR, INC.

Statements of Cash Flows

Years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 2,677,928	(5,580,124)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	823,812	862,127
Amortization of right-of-use asset	(2,241,912)	(861,505)
Realized and unrealized net gains on investments	(6,072,729)	(1,044,730)
Changes in fair value of interest-rate swaps	(212,404)	161,811
Contributions restricted for long-term investment	(87,500)	(37,500)
Changes in operating assets and liabilities:		
Government grants receivable, net	(1,976,290)	2,928,301
Contributions receivable, net	1,655,547	465,979
Other assets	(2,181,445)	778,533
Lease liability	2,326,472	858,276
Accounts payable and accrued expenses	2,305,443	(835,039)
Accrued payroll and related expenses	2,225,288	1,015,009
Net cash used in operating activities	(757,790)	(1,288,862)
Cash flows from investing activities:		
Purchases of investments	(3,622,835)	(34,767,822)
Sales of investments	3,394,285	33,236,300
Purchases of equipment	(600,595)	(418,819)
Net cash used in investing activities	(829,145)	(1,950,341)
Cash flows from financing activities:		
Repayments of bond payable	(260,000)	(245,000)
Contributions restricted for long-term investment	87,500	37,500
Net cash used in financing activities	(172,500)	(207,500)
Change in cash and equivalents and restricted cash	(1,759,435)	(3,446,703)
Cash and equivalents and restricted cash, beginning of year	37,118,815	40,565,518
Cash and equivalents and restricted cash, end of year	\$ 35,359,380	37,118,815
Supplemental data:		
Cash paid for interest	\$ 241,650	254,415
Cash paid for amounts included in the measurement of operating lease liabilities	3,399,617	2,290,094

See accompanying notes to financial statements.

CITY YEAR, INC.
Notes to Financial Statements
June 30, 2021 and 2020

(1) Organization Background and History

City Year Inc. (the Organization or City Year) was founded in Boston, Massachusetts in 1988 and now operates in twenty-nine

CITY YEAR, INC.
Notes to Financial Statements
June 30, 2021 and 2020

CITY YEAR, INC.
Notes to Financial Statements
June 30, 2021 and 2020

Revenue from contracts with customers is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which we expect to be entitled in exchange for those good or services (i.e. the transaction price). Services provided under school contracts are provided during the program year, which generally aligns with the Organization's fiscal year.

Unconditional contributions, including unconditional promises to give, are recognized at fair value and increase net assets in the period received. Written promises to give that are scheduled to be received after the balance sheet date are shown as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the purpose or time restrictions are met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in net assets with donor restrictions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at rates commensurate with the estimated risk of receipt of the pledge. Amortization of the discount is recorded as additional contribution revenue in the appropriate net asset category. Contributions of assets other than cash are recorded at their estimated fair value.

Dividends, interest, and net unrealized gains (losses) on long-term investments are reported as (1) increases in net assets with donor restrictions if the terms of the contributions required these to be added to principal of gifts to be held in perpetuity; (2) increases (decreases) in net assets with donor restrictions if the terms of the contributions impose restrictions on the use of the income and gains; or (3) increases (decreases) in net assets without donor restrictions in all other cases.

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

(c) Cash and Cash Equivalents

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

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

	2021	2020
Cash and cash equivalents	\$ 35,189,579	36,949,014
Restricted cash	169,801	169,801
Total cash, cash equivalents and restricted cash	\$ 35,359,380	37,118,815

CITY YEAR, INC.
Notes to Financial Statements
June 30, 2021 and 2020

(d) Investments

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



CITY YEAR, INC.
Notes to Financial Statements
June 30, 2021 and

CITY YEAR, INC.
Notes to Financial Statements
June 30, 2021 and 2020

(7) Investments

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

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plaar identical assets or

CITY YEAR, INC.
Notes to Financial Statements
June 30, 2021 and 2020

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

	2021	2020
Dividends and interest	\$ 442,944	73,864
Realized and unrealized net gains on investments	5,629,785	970,866
Total return on investments	\$ 6,072,729	1,044,730

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

	2021	2020
, QYHVWPHQW UHWXUQ RQ HQGRZPHQW \$ ±	8,258,186	537,984
, QYHVWPHQW UHWXUQ RQ HQGRZPHQW V ±	2,810,543	506,746
Total return on investments	\$ 6,072,729	1,044,730

(8) Endowment

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

(a) Interpretation of Relevant Law

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as follows:

CITY YEAR, INC.
Notes to Financial Statements
June 30, 2021 and 2020

3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Endowment net assets consisted of the following at June 30, 2021:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Historical gift value	\$ 2	6,934,524	6,934,524
Appreciation	<u>2</u>	<u>4,224,695</u>	<u>4,224,695</u>
Total donor-restricted endowment funds	2	11,159,219	11,159,219
Board-designated endowment funds	<u>13,549,196</u>	<u>2</u>	<u>13,549,196</u>
Total	<u>\$ 13,549,196</u>	<u>11,159,219</u>	<u>24,708,415</u>

Endowment net assets consisted of the following at June 30, 2020:

	Without donor	With donor
--	---------------	------------

CITY YEAR, INC.
Notes to Financial Statements
June 30, 2021 and 2020

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2020	\$ 9,775,721	8,631,415	18,407,136
Investment return:			
Interest and dividends	239,376	203,568	442,944
Net appreciation	3,018,810	2,610,975	5,629,785
Total investment return	3,258,186	2,814,543	6,072,729
Transfers in	728,287	²	728,287
Contributions	141,050	87,500	228,550
Endowment return appropriated	(354,048)	(374,239)	(728,287)
Endowment net assets, June 30, 2021	\$ <u>13,549,196</u>	<u>11,159,219</u>	<u>24,708,415</u>

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2019	\$ 7,364,331	8,466,553	15,830,884
Investment return:			
Interest and dividends	38,674	35,190	73,864
Net appreciation	499,310	471,556	970,866
Total investment return	537,984	506,746	1,044,730
Transfers in	673,924		

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Organization to retain as a fund of perpetual duration. No deficiencies of this nature were reported in net assets with donor restrictions as of June 30, 2021 and 2020, respectively.

CITY YEAR, INC.
Notes to Financial Statements
June 30, 2021 and 2020

(c) Return Objectives and Risk Parameters

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

(d) Strategies Employed for Achieving Objectives

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

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

The Organization has a policy of appropriating for distribution each year up to 4.5% of its endowment funds average fair value over the prior eight quarters through the quarter ending March 31st preceding the fiscal year in which the distribution is planned. The Board of Trustees elected to appropriate distributions for operations of \$728,287 in fiscal 2021 and \$673,924 in fiscal 2020. These amounts are classified as operating revenue without donor restrictions in the statement of activities. In establishing these policies, the Organization considered the long-term expected return on its endowment. Accordingly, the Organization expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts plus inflation, defined as the Consumer Price Index. Additional real growth will be provided through new gifts and any excess investment return.

(9) Contributions Receivable

Contributions receivable consisted of the following at June 30:

	2021	2020
Without donor restrictions	\$ 2	247,351
Restricted to future periods	195,000	1,700,000
	\$ 195,000	1,947,351

CITY YEAR, INC.
Notes to Financial Statements
June 30, 2021 and 2020

(12) Leases

Lease cost for office space was \$4,530,773 and \$4,357,182 for the years ended June 30, 2021 and 2020, respectively, inclusive of certain in-kind arrangements. Lease arrangements with an original term of more than one

CITY YEAR, INC.
Notes to Financial Statements
June 30, 2021 and 2020

On February 8, 2017, the Organization has secured from BoA an irrevocable standby letter of credit, for the benefit of the landlord as required security deposit on their New York office facility. The letter of credit expires on March 25, 2022 but may be renewed through December 31, 2027. City Year purchased a certificate of deposit as collateral as required by the Security Agreement with BoA. The certificate of deposit totaling \$169,801 is presented as restricted cash in the accompanying financial statements.

(14) Long -Term Debt

(a) Bonds Payable

City Year entered into a Loan and Security Agreement, dated May 1, 2013, with Massachusetts Development Finance Agency, B

CITY YEAR, INC.
Notes to Financial Statements
June 30, 2021 and 2020

Aggregate scheduled annual principal repayments for bonds payable as of June 30, 2021 were as follows:

2022	\$	265,000
2023		280,000
2024		295,000
2025		310,000
2026		325,000
Thereafter		<u>4,685,000</u>
Total	\$	<u><u>6,160,000</u></u>

(b) Interest Rate Swaps

