

07 - 0200

Report to Legislature on State Appropriations

July 1, 2005 - June 30, 2006



Minnesota Conservation Corps
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Purpose of this Report

The purpose of this report is to provide an accurate accounting of the Minnesota Conservation Corps' expenditures of state appropriations and subsequent accomplishments for the time period July 1, 2005 – June 30, 2006. The report is created for the committees of jurisdiction in the House of Representatives and Senate and the Legislature in general.

MCC Overview

In 1981 the Minnesota Conservation Corps (MCC) was created by the Minnesota state legislature to engage youth and young adults in environmental work projects. During this time, MCC was administered by the Department of Natural Resources and operated solely on state resources. In response to the state budget cuts, on July 1, 2003, MCC moved out of state government to become an independent 501(c)(3) non-profit organization.

Since its separation from the Department of Natural Resources in 2003, MCC has continued its efforts to be a successful cost-effective public/private partnership enterprise. MCC has sought new sources of program funding and has continued to produce high quality work at an affordable price. What's more, MCC participants continued to gain tools for career and life success.

MCC corpsmembers are well-trained, service-driven individuals who are compensated with a living allowance and, for those who qualify, an AmeriCorps Education Award. As a result, youth and young adult corps labor provides substantially more output per dollar than other workforces. The greatest benefit of MCC, however, remains the personal growth gained by corpsmembers and enduring positive impact on the environment.

Governing Legislation

On July 1st, 2003, the Minnesota Conservation Corps (MCC) transferred operations out of the Minnesota Department of Natural Resources (DNR) and into the existing non-profit 501(c)(3), Friends of the Minnesota Conservation Corps (FMCC). FMCC assumed governance responsibility over policies, fiscal management, and advancement of the MCC's mission of youth and young adult development through environmental stewardship. This transition in organizational structure was, in part, a response to significant state funding cuts.

The Minnesota legislature made the MCC's transfer to non-profit status official through legislation 2003 Session Law, Chapter 128, Article 1, Sec. 35. [84.991]. Additionally, the DNR and the MCC entered into a joint powers agreement (CFMS Contract No. A50895) on July 17, 2003. This agreement was renewed on June 30, 2005 (CFMS Contract No. A77411) and states:

2.3 Fund Integrity: MCC will utilize Natural Resources Funds only for the purposes for which they were intended. MCC 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 in jurisdiction over environment and natural resources policy and finance.

Mission

Minnesota Conservation Corps provides hands-on environmental stewardship training and service-learning opportunities to youth (ages 15-18) and young adults (ages 18-25), while completing priority and cost-effective natural resource management and emergency response work.

Core Functions

- **Public Service** - MCC serves primarily governmental, educational and non-profit organizations for the common good.
- **Youth and Young Adult Development** - MCC provides training and work opportunities to youth and young adults to create positive outcomes for the communities of Minnesota and their natural resources. Corpsmembers receive intensive skill training, preparing them to serve as the state's future natural resource professionals. Developing a strong work and stewardship ethic is the foundation of the conservation corps philosophy.
- **Environmental Stewardship** - MCC completes natural resource based projects that improve our environment, our communities, and our corpsmembers through a commitment to environmental service.

MCC Programs

Summer Youth Program

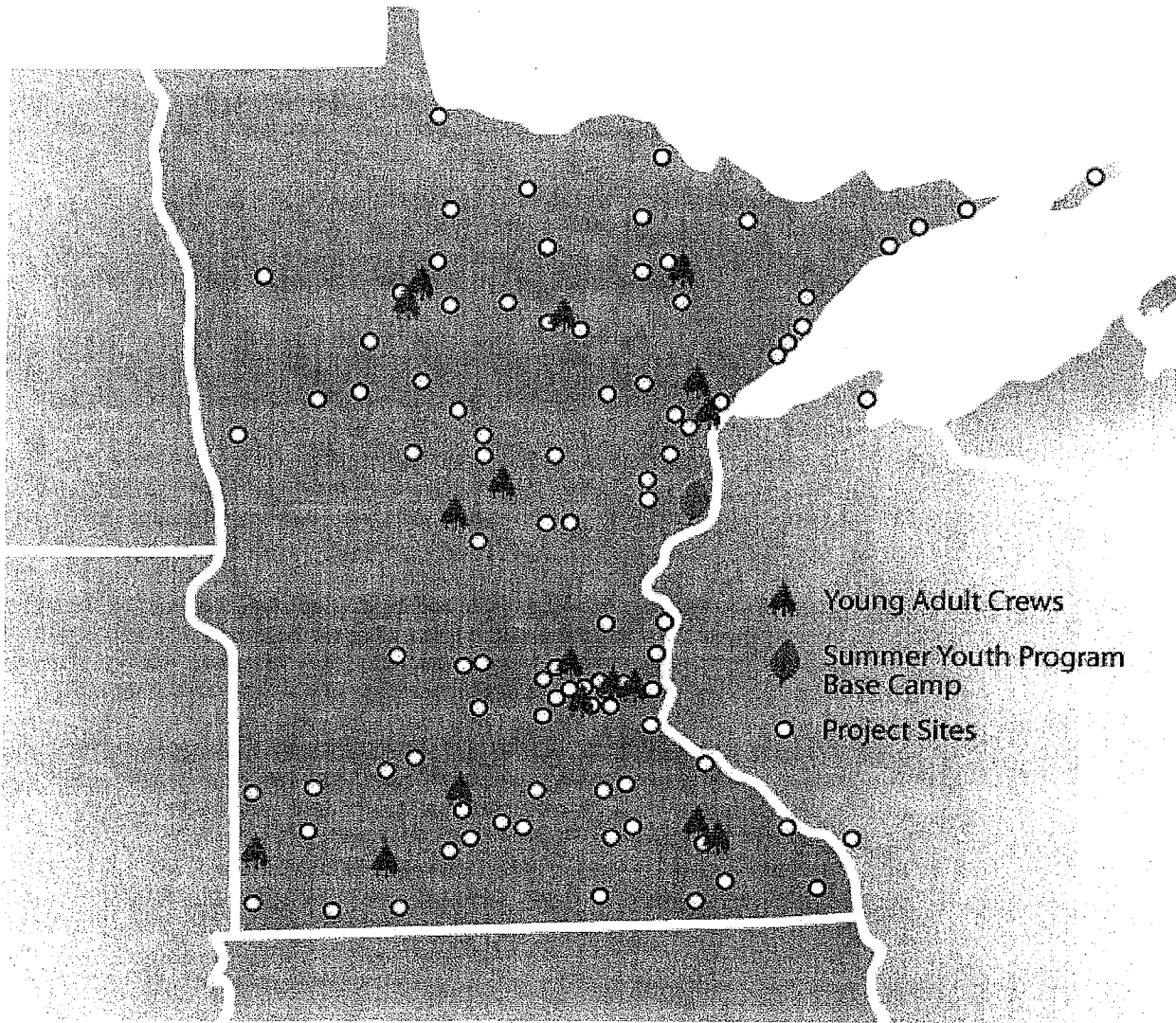
MCC's Summer Youth Program is based out of St. Croix State Park in Hinckley, MN. Corpsmembers are 15-18 year old youth and spend eight weeks in the summer working and camping at statewide projects. The youth are hired from a variety of ethnic, socioeconomic and geographic backgrounds.

MCC uses an experiential learning model to teach the youth life and work skills. Through engaging work projects and structured free time, corpsmembers develop important social skills such as interpersonal communication, conflict resolution, team building, self-discipline, citizenship, and personal confidence. Participants also gain constructive workplace behaviors that include job safety, technical project skills, personal responsibility and working in a structured system.

Young Adult Program

MCC's Young Adult Program is ten and a half month commitment for 18-25 year olds. Corpsmembers serve on crews in one of four districts in Minnesota. In 2006, MCC had 16 active crews that covered the state and also implemented three seasonal crews in the summer months. The Young Adult Program is non-residential, although at times throughout their service, crews camp at worksites in order to complete projects that are a distance from their base location.

The Young Adult Program provides extensive technical training for jobs in the natural resource conservation field. Corpsmembers gain valuable experience working along side natural resource professionals. Corpsmembers are eligible to receive an AmeriCorps Education Award for \$4,725 upon completion of their term.



2006 At-A-Glance

This past year, nearly 200 youth and young adults contracted with 90 project hosts, completing natural resource projects across the state. In Fiscal Year 2006, 109,950 hours of work were devoted to Minnesota's natural resources.

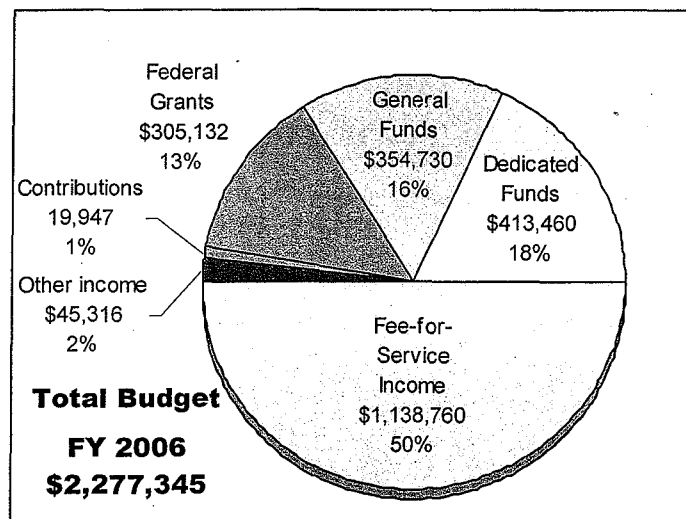
PARTICIPANTS	Summer Youth Corpsmembers	89	Youth
	Summer Program Staff	27	Staff
	Young Adult Corpsmembers	80	Members
	AmeriCorps VISTA members	2	Members
STAFF	Full-time Staff	14	Staff
	Board of Directors	15	Directors
OPERATIONS	Project Hosts	90	Hosts
	Young Adult Crews	16	Crews
	Seasonal Young Adult Crews	3	Crews
	Summer Youth Crews	13	Crews
	Total Corpsmember Hours	109,950	Hours

Use of State Funds

In the last biennial budget, MCC was appropriated \$840,000 per year in state funds: \$350,000 in general funds and \$490,000 in dedicated natural resource funds. The 2005 Legislative budget appropriated the same amount for each year of the 2006-07 biennium of \$840,000 per year: \$350,000 in general funds and \$490,000 in dedicated natural resource funds.

	FY 2006	FY 2007
General Funds:	\$350,000	\$350,000
Dedicated NR Funds:	\$490,000	\$490,000
Total:	\$840,000	\$840,000

When it was a state program, MCC relied primarily on state funding for its operations. Today, state funding comprises only 34% of the \$2,277,000 budget. The pie chart below shows Fiscal Year End 2006 revenue breakout. MCC's entrepreneurial nature generated over one million dollars in fee-for-service and managed a substantial federal grant.



Use of Natural Resource Funds

MCC has established a detailed accounting system to track the use of the annual \$490,000 from the Natural Resource Fund. This Survey of Accomplished Work (SAW) system tracks individual project details such as work accomplished, corpsmembers' hours, crew, project location, and legislative district. An example of a SAW form is included in this report.

The State's dedicated funds were derived from the water recreation, off-highway vehicle, forestry, state parks, snowmobile, and non-game wildlife accounts. The joint powers agreement between DNR and MCC allows MCC to utilize dedicated natural resource funds at a rate of \$20.00/hour/corpsmember. The following table illustrates the distribution and use of monies from each fund within the natural resource funds.

MCC Expenditure of Natural Resource Fund by Hours

	Biennium Total	FY06 Expended	FY07 Budget
Water Recreation	20,000.0	8,128.5	11,871.5
ATV/OHV Trails	10,000.0	4,456.0	5,544.0
Snowmobile Trails	11,500.0	5,258.5	6,241.5
Non-Game Wildlife	2,500.0	1,250.0	1,250.0
State Parks	2,500.0	330.0	2,170.0
Forestry	2,500.0	1,250.0	1,250.0
TOTAL	49,000.0	20,673.0	28,327.0

MCC Expenditure of Natural Resource Funds by Dollars

	Biennium Total	FY06 Expended	FY07 Budget
Water Recreation	\$400,000	\$162,570	\$237,430
ATV/OHV Trails	\$200,000	\$89,120	\$110,880
Snowmobile Trails	\$230,000	\$105,170	\$124,830
Non-Game Wildlife	\$50,000	\$25,000	\$25,000
State Parks	\$50,000	\$6,600	\$43,400
Forestry	\$50,000	\$25,000	\$25,000
TOTAL	\$980,000	\$413,460	\$566,540

During the fiscal year ending June 30, 2006, the MCC used \$413,460 in Natural Resources Dedicated Funds and will use the balance (\$76,540 plus \$490,000) in fiscal year ending June 30, 2007.

Importance of the Natural Resource Funds for MCC

It is important to note that the Natural Resources Fund impacts the MCC in a variety of ways:

- Projects funded in this manner have a direct benefit to Minnesota's natural resources and their enjoyment and use by the public.
- The projects funded provide an excellent opportunity for quality corpsmember experience compatible with the mission of the MCC.
- Corpsmembers are given the opportunity to work in direct, professional contact with DNR programs and employees.
- The funds provide a stable source of funding for the MCC endeavors.

MCC's joint power agreement with the Department of Natural Resources requires an annual report highlighting accounting of MCC expenditures from the natural resource fund and accomplishments with those funds. The report was submitted to the DNR in January of 2006, and it is included in its entirety in this report.

Use of General Funds Dollars

MCC was appropriated \$350,000 in general funds from the Minnesota legislature for each fiscal year 2004 and 2005. These dollars have been essential to MCC's continued operation. Using the general funds as a solid foundation, MCC was able to:

- Cover the front-end operational costs needed to run crews
- Operate the Summer Youth Program
- Engage in fee-for-service work
- Leverage federal operational dollars

Front-end Operational Costs: General funds have been used to cover overhead and administrative expenses. The general funds are the resource used to acquire the necessary components to adequately put MCC crews in the field. Without them MCC crews could not exist.

Operate a Summer Youth Program: The Summer Youth Program is an outstanding program. The transformation that occurs in its high school-aged participants is remarkable. Youth gain developmental assets and responsible decision making tools that last a lifetime.

Engage in Fee-for-Service Work: Fee for service work generates revenue from a variety of project hosts, who are partnering with MCC. General fund dollars make it possible to put MCC crews in a position to do fee for service work, especially with partners and project hosts like city and county parks, other local non-profits and federal agencies. Typically these projects are not covered by dedicated funds or in conjunction with other state project hosts.

Leverage Federal Operation Dollars: Federal money available for youth corps came as a reimbursement and required a non-federal match. Portions of the general funds were designated as a match to generate \$538,000 in non-state dollars for 2006. This Rural Response Grant helps fund the MCC's Young Adult Program's crews.

MCC Contributions to Minnesota

With the appropriated General Funds as a catalyst for all of the above mentioned items, MCC was able to positively impact the lives of nearly 200 youth and young adults last year. Beyond the impact on the program participants, MCC improves the quality of life of countless Minnesotans by conserving the natural resources around them.

In the past fiscal year, MCC completed over 109,000 hours of work that left positive improvements on the environment, communities and individual corpsmembers. Whether maintaining recreational trails or restoring native habitats, MCC projects are crucial to health of Minnesota. A complete list of work accomplishments follows on the next page.

MCC also plays a crucial role in the emergency response to wildfire. All MCC Young Adult Corpsmembers become "Red Card Certified" which enables them respond to wildfire threats. MCC works closely with the Interagency Fire Center in Grand Rapids, MN to dispatch crews effectively and rapidly.

Fiscal Year End 2006 Statewide Work Accomplishments

General

Community Service	124.0	hours
General Program Work	3,122.0	hours
PR/Media Relations	1,197.0	hours

Community Clean Up

Adopt A River	1,875.0	hours
Debris Removal	91.0	tons
River Cleanup	14.6	miles

Wildlife

Bird Banding	1,510.0	birds
Electroshocking	1,000.0	fish
Nesting Structure Construction	114.0	structure
Wildlife Surveys	598.0	surveys

Habitat Improvement

Brush Removal	69.0	acres
Chemical Application	233.5	acres
Exotic Species Removal	1,091.5	acres
Habitat Improvement - Fish	23.0	acres
Habitat Improvement - Wildlife	101.2	acres
Lakeshore Restoration	1.5	acres
Landscaping	4.0	acres
Landscaping/Pruning	9.0	acres
Prairie Restoration	141.5	acres
Prescribed Burning	9,915.8	acres
Pruning	47.0	acres
Shoreline Restoration	3.9	acres
Timber Stand Improvement-Bud Capping	406.5	acres
Wetland Restoration	3.0	acres

Planting Activities

Plant & Animal Relocation	340.0	plants
Planting	3,410.0	plants
Seed Collection - Forest	3.0	bushels
Seed Collection - Prairie Plants	65.6	pounds
Seedling Harvest	34,800.0	trees
Tree Harvest	4,500.0	trees
Tree Planting - Large	7,928.0	trees
Tree Planting - Seedlings	9,790.0	trees
Tree Removal	2,108.0	trees
Tree Spading	325.0	trees
Tree Wrapping	5,285.0	trees

Environmental Education

Environmental Education	1,616.0	students
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Trail

Boardwalk/ Step	4,738.3	feet
Bridge Construction	637.0	feet
Misc. Trail Maintenance	1,142.0	hours
Snowmobile Trail	178.2	miles
Trail Construction	33.5	miles
Trail Improvement	569.0	miles

Data Collection

Forest Inventory - CSA	88.0	acres
Forest Inventory - FIA	86.0	plots
GIS/GPS Mapping	0.3	miles
Tree & Plant Surveys	564	hours
Water Quality Monitoring	125.0	hours

Construction

Construction / Carpentry	4,346.0	hours
Dock/Pier Construction	150.0	feet
Historic Bldg & Landmark	210.0	structures
NR Area/ Structure	3,315.0	hours
Retaining Wall Construction	5,377.0	feet
Shelter Construction	4.0	shelters

Emergency Response

Emergency Response	2795.0	hours
Fire Suppression - Direct	484.5	acres
Fire Suppression - Indirect	4,242.5	hours

Training

Training - Personal	2,449.5	hours
Training -Technical Skills	8,109.5	hours

Erosion Control

Erosion Control	6,670.0	sq feet
Streambank Stabilization	11,180.0	sq feet

General NRA Maintenance

Boundary Work	78,346.0	feet
Campsite	35.0	sites
Dike Improvement	500.0	feet
Public Access Maintenance	246.0	visits
Road Improvement	8.0	miles
Snag Removal	16.0	miles

Disease Control

Oak Savanna Restoration	24.0	acres
Oak Wilt Sanitation	12.0	trees

Financial Management Systems

MCC has taken a proactive stance in developing sound financial management systems and financial integrity. The MCC's 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 MCC Board of Directors has an active and engaged Finance Committee which oversees the activities of the staff.

In addition, the finance staff has participated in workshops and training sponsored by the Corporation for National and Community Service (CNCS), the Minnesota Council of Non-Profits, and the University of St. Thomas in order to stay current with changing financial standards.

The MCC continues to use the services of the accounting firm EideBailly, LLP for its expertise in working with nonprofit organizations. This has been extremely helpful in preparing the MCC for the future. Audits were completed for calendar year 2003; for the short period of January 1 – June 30, 2004; for the fiscal year ending June 30, 2005; and most recently for the fiscal year ending June 30, 2006. The MCC received an "unqualified" opinion on all audits, which is the best opinion a firm can give.

Board of Directors

John Degan
Chair
Attorney – Blue Cross Blue Shield

Terry Anfinson
1st Vice Chair
Restorative Justice Consultant

Joan Peters
2nd Vice Chair
Three Rivers Park District Board Commissioner

Karen Bowen
Secretary
Former Assistant MN DNR Commissioner
Former Three Rivers Park District Manager

David Hile
Treasurer
Retired Hennepin County Law Enforcement Professional

Windy Block
City of St. Peter

Mary Cleary
Nonprofit Accounting and Fiscal Management Consultant

Monty Dehn
Civilian Conservation Corps Alumnus

Jim Kielsmeier
President/CEO National Youth
Leadership Council

Judith James
Institute for Recording and Production Faculty
Educational Consultant
Former YCC Camp Director

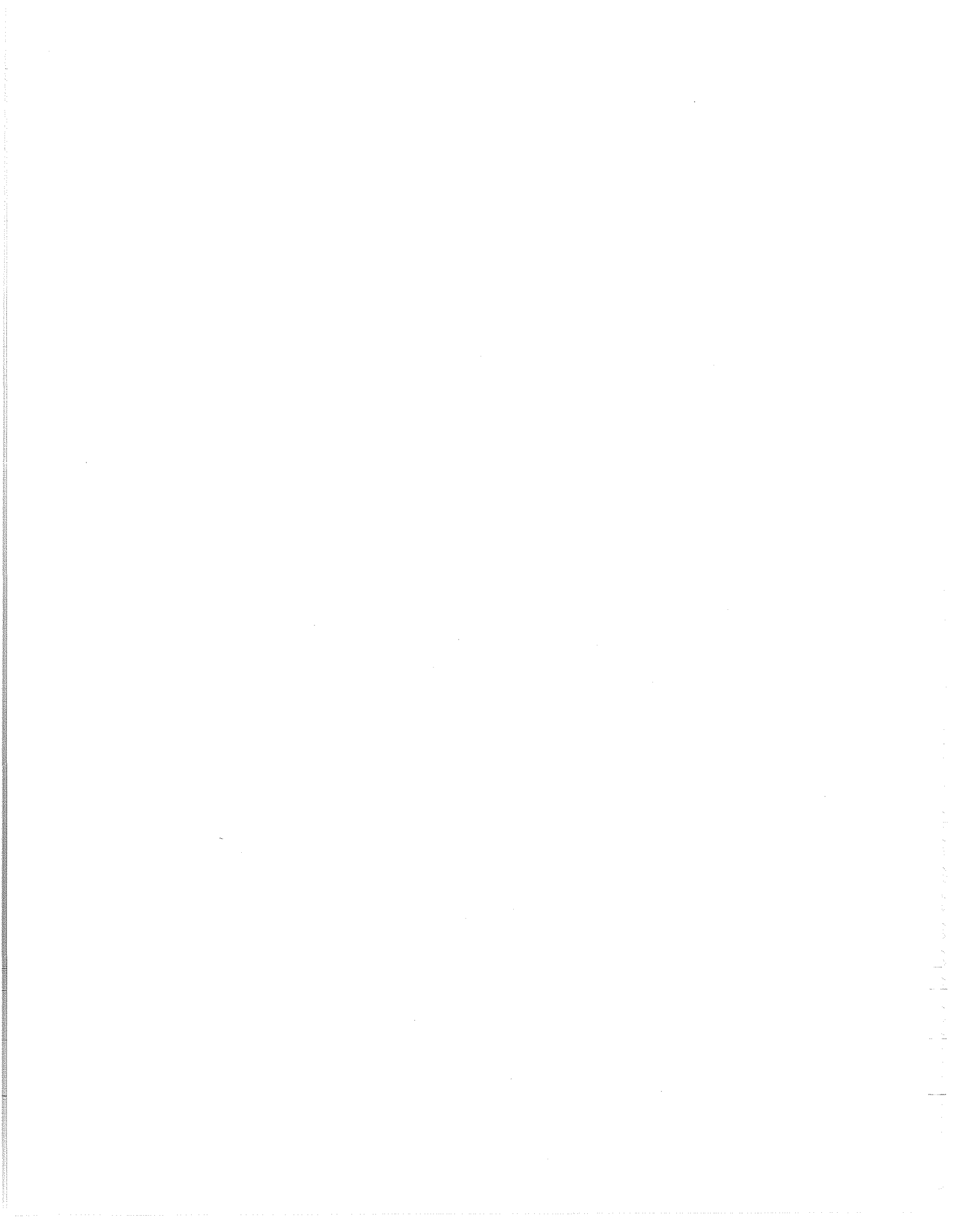
Jane Krentz
Former State Senator
Research Fellow at the University of Minnesota
Midwest Coordinator - National Caucuses of Environmental Legislators
Associate Director of Church Relations – Hamline University

Mike Nevala
Metropolitan Council Principal Environmental Scientist
MCC Summer Youth Program Corpsmember Parent

Ken Salzberg
Law Professor – Hamline University
Minnesota Groundwater Association

Mark Skeie
Founder of Mapping Your Retirement, Inc
Former 3M Department and Project Manager

Joann Splonskowski
Director of the Becker County Historical Society
MCC Young Adult Program Corpsmember Parent



Report to Department of Natural
Resources
on Natural Resource Fund Use

July 1, 2005 - June 30, 2006



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Governing Legislation

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The Minnesota legislature made the MCC's transfer to non-profit status official through legislation: 2003 Session Law, Chapter 128, Article 1, Sec. 35. [84.991]. Additionally, the DNR and the MCC entered into a joint powers agreement (CFMS Contract No. A50895) on July 17, 2003 that stated:

2.4 Fund Integrity: MCC will utilize Natural Resources Funds only for the purposes for which they were intended.

MCC will provide an accurate accounting of expenditures of Natural Resources Funds and project accomplishments annually to the legislature in general and to the Commissioner of Natural Resources and to the House of Representatives and Senate Committees with jurisdiction over environment and natural resources policy and finance.

The agreement was renewed on June 30, 2005 (CFMS Contract No. A77411).

Mission

Minnesota Conservation Corps provides hands-on environmental stewardship training and service-learning opportunities to youth (ages 15-18) and young adults (ages 18-25), while completing priority and cost-effective natural resource management and emergency response work.

Core Functions

- Public Service - MCC serves primarily governmental, educational and non-profit organizations for the common good.
- Youth and Young Adult Development - MCC provides training and work opportunities to youth and young adults to create positive outcomes for the communities of Minnesota and their natural resources. Corpsmembers receive intensive skill training, preparing them to serve as the state's future natural resource professionals. Developing a strong work and stewardship ethic is the foundation of the conservation corps philosophy.

- Environmental Stewardship - MCC completes natural resource based projects that improve our environment, our communities, and our corpsmembers through a commitment to environmental service.

Operations

- The MCC Summer Youth Program operates each summer out of a residential base camp at St. Croix State Park. Crews of youth (ages 15-18) are sent throughout the state to perform outdoor work on public land.
- The MCC Young Adult Program operates February through December by stationing crews of young adults (ages 18-25) in communities throughout the state to perform technical natural resource work on public land, including emergency response and recovery.

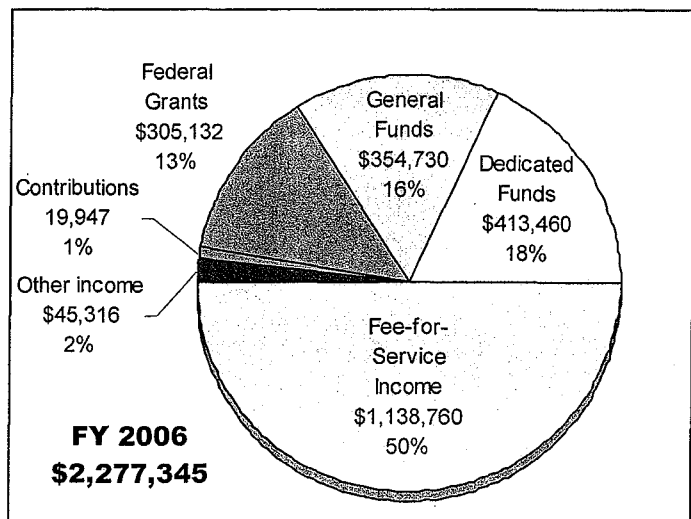
2006 At-A-Glance

This past year, nearly 200 youth and young adults served approximately 100 project hosts, completing natural resource projects across the state. In Fiscal Year 2006, 109,950 hours of work were devoted to Minnesota's natural resources, of which only 19% were completed with the use of Natural Resource Funds.

PARTICIPANTS	Summer Youth Corpsmembers	89	Youth
	Summer Program Staff	27	Staff
	Young Adult Corpsmembers	80	Members
	AmeriCorps VISTA members	2	Members
STAFF	Full-time Staff	14	Staff
	Board of Directors	15	Directors
OPERATIONS	Project Hosts	90	Hosts
	Young Adult Crews	16	Crews
	Seasonal Young Adult Crews	3	Crews
	Summer Youth Crews	13	Crews
	Total Corpsmember Hours	109,950	Hours

Importance of the Natural Resource Funds for the MCC

In Fiscal Year 2006 (July 1, 2005 - June 30, 2006) the MCC operated on a \$2.3 million budget, of which \$490,000 were Natural Resource Funds. The MCC provided exceptional cost effective operations to complete 20,673 hours of dedicated work. The MCC also received \$350,000 in General Fund monies, of which \$177,993 was used to match Federal AmeriCorps Rural Response Grant, and the balance was used to cover overhead and administrative expenses. With these two funding sources available, the MCC was able to generate more than \$1,000,000 in independent fee-



for-service work in partnership with a variety of project hosts. These funding sources together support the full cost of operations.

Minnesota Conservation Corps is an excellent investment of state monies towards natural resource conservation. The additional return on this investment is the training, experience and mentoring that corpsmembers receive from natural resource professionals, all of which contribute to developing corpsmember life-work skills and personal career goals.

It is important to note that the Natural Resources Fund impacts the MCC in a variety of ways:

- Projects funded in this manner have a direct benefit to Minnesota's natural resources and their enjoyment and use by the public;
- Projects funded provide an excellent opportunity for quality corpsmember experience compatible with the mission of the MCC;
- MCC participants work in direct contact with DNR programs and employees, offering great career shadowing experiences;
- The appropriations provide a stable source of funding for the MCC endeavors.

Dedicated fund account distribution

The MCC was appropriated \$490,000 each year of Natural Resource Funds for biennium 2005-2007. In the June 30, 2005 agreement, DNR and the MCC agreed to the distribution of dollars in each fund as listed below:

2.2 Natural Resources Fund Appropriation (per fiscal year) MCC's direct appropriation of Natural Resources Funds shall be distributed at the beginning of each fiscal year in the following manner:

- a) Water Recreation Account = \$200,000
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 Vehicle Account = \$100,000
Expenditures from this account shall be for development, construction and maintenance of state trails; education and training; and program and program support and administration.
- c) Snowmobile Trails and Enforcement Account = \$115,000
Expenditures from this account shall be for the administration, design, construction, maintenance, and grooming of snowmobile trails.
- d) Non-Game Wildlife Management Account = \$25,000
Expenditures from this account shall be for assisting in completing the objectives of the DNR Non-Game Wildlife Program.
- e) State Parks Account = \$25,000.
Expenditures from this account shall be for construction, maintenance and natural resource management projects in state parks.

- f) Forest Management Investment Account = \$25,000
Expenditures from this account shall be to assist the division in accomplishing its annual forest management objectives.

Natural Resource Fund Expenditure

The MCC expends Natural Resources Funds at a rate of \$20.00/hour per corpsmember. This rate includes corpsmember stipends, vehicles, worker's compensation insurance, health insurance, training, uniforms and basic equipment such as chainsaws and hand tools. The MCC applies additional expenditures for equipment, supervision, training and administration to be determined on a case-by-case basis. Materials (chemicals, lumber, hardware, plant materials, etc.) are provided by the DNR at the expense of the DNR.

MCC Expenditure of Natural Resource Fund by Hours

	Biennium Total	FY06 Expended	FY07 Budget
Water Recreation	20,000.0	8,128.5	11,871.5
ATV/OHV Trails	10,000.0	4,456.0	5,544.0
Snowmobile Trails	11,500.0	5,258.5	6,241.5
Non-Game Wildlife	2,500.0	1,250.0	1,250.0
State Parks	2,500.0	330.0	2,170.0
Forestry	2,500.0	1,250.0	1,250.0
TOTAL	49,000.0	20,673.0	28,327.0

MCC Expenditure of Natural Resource Funds by Dollars

	Biennium Total	FY06 Expended	FY07 Budget
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Snowmobile Trails	\$230,000	\$105,170	\$124,830
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State Parks	\$50,000	\$6,600	\$43,400
Forestry	\$50,000	\$25,000	\$25,000
TOTAL	\$980,000	\$413,460	\$566,540

During the fiscal year ending June 30, 2006, the MCC used \$413,460 in Natural Resources Dedicated Funds and will use the balance (\$76,540 plus \$490,000) in fiscal year ending June 30, 2007.

Work Accomplishments: July 1, 2005 - June 30, 2006

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

Water Recreation	Amount	Unit	Hours
Adopt A River	1,875.0	Hours	1,875.0
Boardwalk/ Step Construction	32.0	Feet	50.5
Bridge Construction	65.0	Feet	120.0
Campsite Establishment/Maint.	26.0	Sites	508.0
Construction / Carpentry	119.0	Hours	119.0
Dike Improvement	500.0	Feet	60.0
Dock/Pier Construction	150.0	Feet	113.0
Electroshocking Education	1,000.0	Fish	60.0
Erosion Control	3,000.0	Sq Feet	46.0
Exotic Species Removal	1.5	Acres	60.0
Lake Debris Removal -Nicollet Tornado	4,660.0	Pounds	30.0
Lakeshore Restoration	16,800.0	Sq Feet	159.0
NR Area/ Structure Improvement	426.0	Hours	426.0
Red Lake Fishing Opener	120.0	Hours	120.0
Public Access Maintenance	229.0	Visits	2,409.0
Retaining Wall Construction	280.0	Feet	227.0
River Cleanup	14.6	Miles	422.0
Snag Removal	16.0	Miles	290.0
Trail Construction	.04	Miles	632.0
Trail Improvement	8.3	Miles	120.0
Training - Personal Development	2.0	Hours	2.0
Water Access Road Improvement	2.0	Miles	200.0
Water Quality Monitoring	30.0	Hours	30.0

ATV/OHV	Amount	Unit	Hours
Bridge Construction	40.0	Feet	80.0
Brush Removal	1.0	Acres	10.0
Debris Removal - Litter/Dump Site	2,500.0	Pounds	120.0
Misc. Trail Maintenance	330.0	Hours	330.0
NR Area/ Structure Improvement	150.0	Hours	150.0
Retaining Wall Construction	10.0	Feet	30.0
Road Improvement	1.5	Miles	60.0
Shelter Construction	3.0	Shelters	279.0
Trail Construction	2.0	Miles	353.0
Trail Improvement	192.1	Miles	2,611.5
Tree Planting - Large	23.0	Trees	30.0
Tree Removal	75.0	Trees	82.0

Snowmobile	Amount	Unit	Hours
Boundary Work	21,850.0	Feet	383.5
Debris Removal - Litter/Dump Site	3,000.0	Pounds	37.0
Misc. Trail Maintenance	28.0	Hours	28.0
NR Area/ Structure Improvement	350.0	Hours	350.0
Snowmobile Trail Improvement	329.7	Miles	3805.3
Taconite Trail 20 th Anniversary	20.0	Hours	20.0
Tree Removal	212.0	Trees	540.0

Non Game	Amount	Unit	Hours
Construction / Carpentry	40.0	Hours	40.0
Debris Removal - Litter/Dump Site	25.0	Pounds	30.0
NR Area/ Structure Improvement	100.0	Hours	100.0
Prairie Restoration	12.0	Acres	400.0
Prescribed Burning	18.0	Acres	70.0
Timber Stand Improvement-Bud Capping	1.0	Acres	30.0
Tree Removal	80.0	Trees	40.0
Wildlife Surveys	34.0	Surveys	312.0

Parks	Amount	Unit	Hours
Boundary Work	5,296.0	Feet	60.0
Brush Removal	4.0	Acres	80.0
Timber Stand Improvement-Bud Capping	7.0	Acres	110.0
Trail Improvement	1.0	Miles	40.0

Forestry	Amount	Unit	Hours
Chemical Application	4.0	Acres	10.0
Forest Inventory - CSA	88.0	Acres	40.0
Pruning	5.0	Acres	93.0
Timber Stand Improvement-Bud Capping	146.5	Acres	878.0
Trail Construction	1.1	Miles	60.0
Trail Improvement	1.6	Miles	43.0
Tree Planting - Large	250.0	Trees	50.0

Fund management

MCC uses the following procedure outlined below to be certain the Natural Resource Funds are properly accounted for:

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

Financial Management

MCC has taken a proactive stance in developing sound financial management systems and financial integrity. The MCC's 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 MCC Board of Directors has an active and engaged Finance Committee which oversees the activities of the staff.

In addition, the finance staff has participated in workshops and training sponsored by the Corporation for National and Community Service (CNCS), the Minnesota Council of Non-Profits, and the University of St. Thomas in order to stay current with changing financial standards.

The MCC continues to use the services of the accounting firm EideBailly, LLP for its expertise in working with nonprofit organizations. This has been extremely helpful in preparing the MCC for the future. Audits were completed for calendar year 2003; for the short period of January 1 – June 30, 2004; for the fiscal year ending June 30, 2005; and most recently for the fiscal year ending June 30, 2006. The MCC received an "unqualified" opinion on all audits, which is the best opinion a firm can give.

Board of Directors

John Degan

Chair

Attorney – Blue Cross Blue Shield

Terry Anfinson

1st Vice Chair

Restorative Justice Consultant

Joan Peters

2nd Vice Chair

Three Rivers Park District Board

Commissioner

Karen Bowen

Secretary

Former Assistant MN DNR Commissioner

Former Three Rivers Park District Manager

David Hile

Treasurer

Retired Hennepin County Law Enforcement

Professional

Windy Block

City of St. Peter

Mary Cleary

Nonprofit Accounting and Fiscal

Management Consultant

Monty Dehn

Civilian Conservation Corps Alumnus

Jim Kielsmeier

President/CEO National Youth

Leadership Council

Judith James

Institute for Recording and Production

Faculty

Educational Consultant

Former YCC Camp Director

Jane Krentz

Former State Senator

Research Fellow at the University of

Minnesota

Midwest Coordinator - National Caucuses of

Environmental Legislators

Associate Director of Church Relations –

Hamline University

Mike Nevala

Metropolitan Council Principal Environmental

Scientist

MCC Summer Youth Program Corpsmember

Parent

Ken Salzberg

Law Professor – Hamline University

Minnesota Groundwater Association

Mark Skeie

Founder of Mapping Your Retirement, Inc

Former 3M Department and Project Manager

Joann Splonskowski

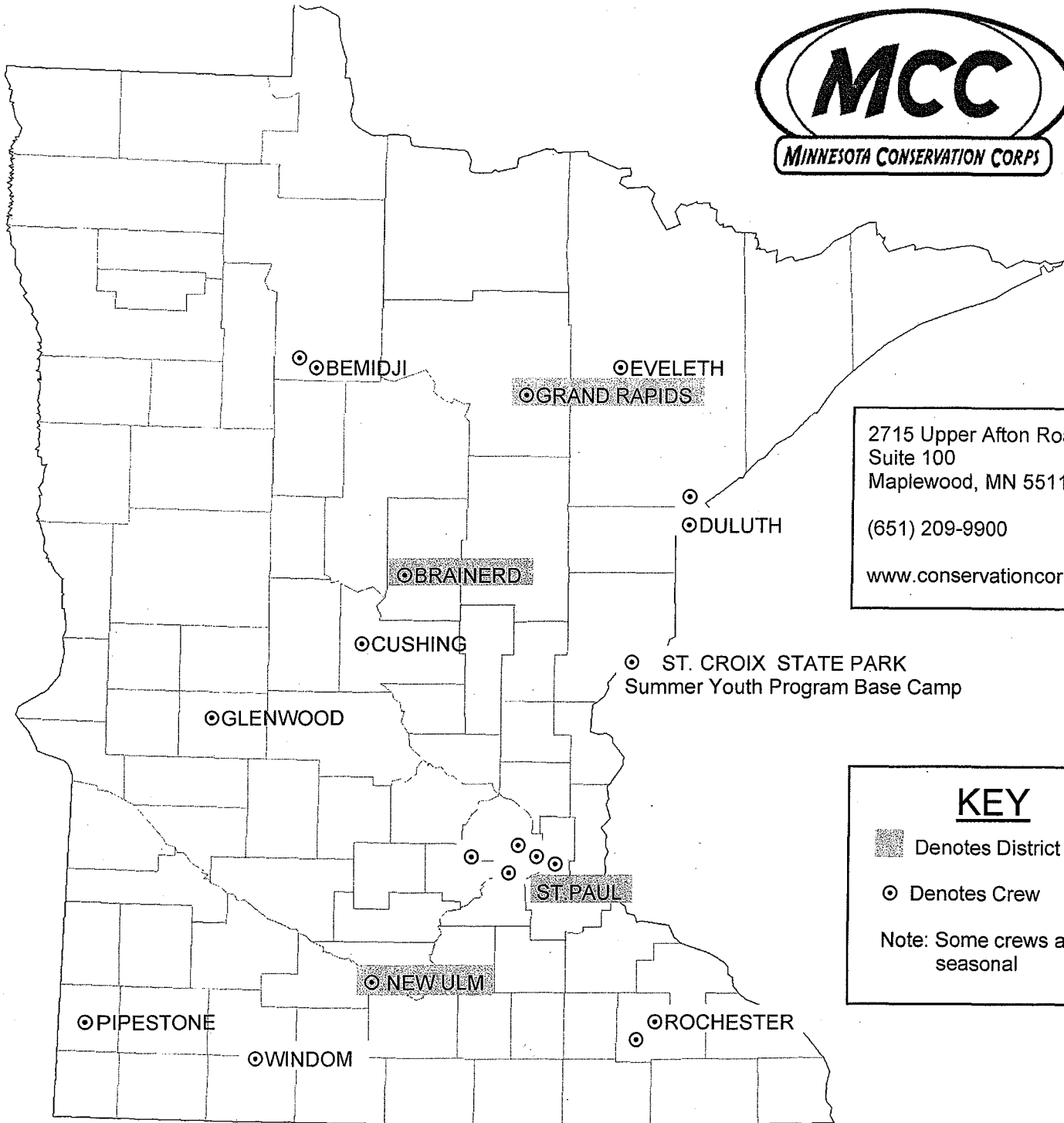
Director of the Becker County Historical

Society

MCC Young Adult Program Corpsmember

Parent

MCC Crew Locations



2715 Upper Afton Road
 Suite 100
 Maplewood, MN 55119
 (651) 209-9900
www.conservationcorps.org

KEY

■ Denotes District Office

○ Denotes Crew

Note: Some crews are seasonal

Example Project Locations:

Isle Royale National Park
 River Bend Nature Center
 Beltrami County
 Camp Courage North
 Split Rock Lighthouse State Park
 Carlos Avery Wildlife Science Center
 Superior National Forest

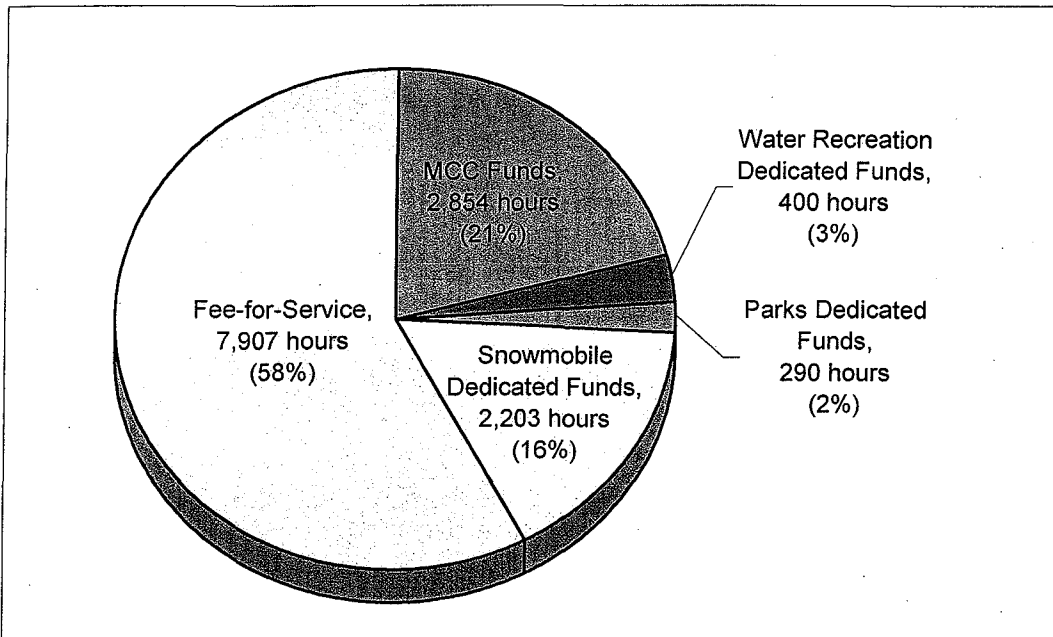
City of St. Paul
 Gooseberry Falls State Park
 St. Croix National Scenic Riverway
 St. Croix State Forest
 University of Minnesota—Duluth
 Blacklock Nature Sanctuary
 Boundary Water Canoe Area Wilderness

Superior Hiking Trail
 Sugarloaf Interpretive Center
 Savannah Portage State Park
 Voyageurs National Park
 Deep Portage Conservation District
 City of Taylors Falls
 New Iberia, Louisiana (Hurricane relief)

Division Report of DNR Funding for MCC Projects

Of the 109,000 hours of total work completed by MCC crews in the Fiscal Year End 2006, 48% (52,011) of hours were worked for the Minnesota DNR. The DNR divisions of Trails and Waterways, Parks and Recreation, Wildlife, and Forestry were the predominant users of crews, although projects were completed for Eco Services and Management Resources, as well. The following charts depict the MCC's four major DNR division partners and their breakout of funding for MCC work projects.

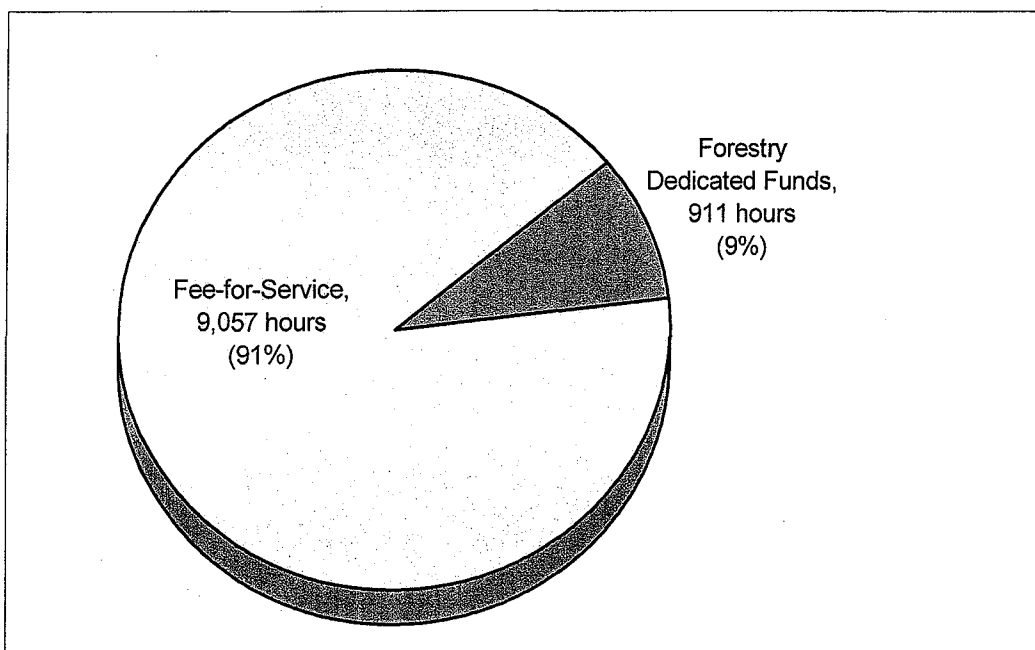
Parks and Recreation



MCC completed a total of 13,765.5 hours of work for DNR Parks and Recreation within 31 of the state parks. MCC contributed 2,854 hours of MCC funded work to Parks and Recreation, which was 21% of the total work and was a significant benefit to the park system.

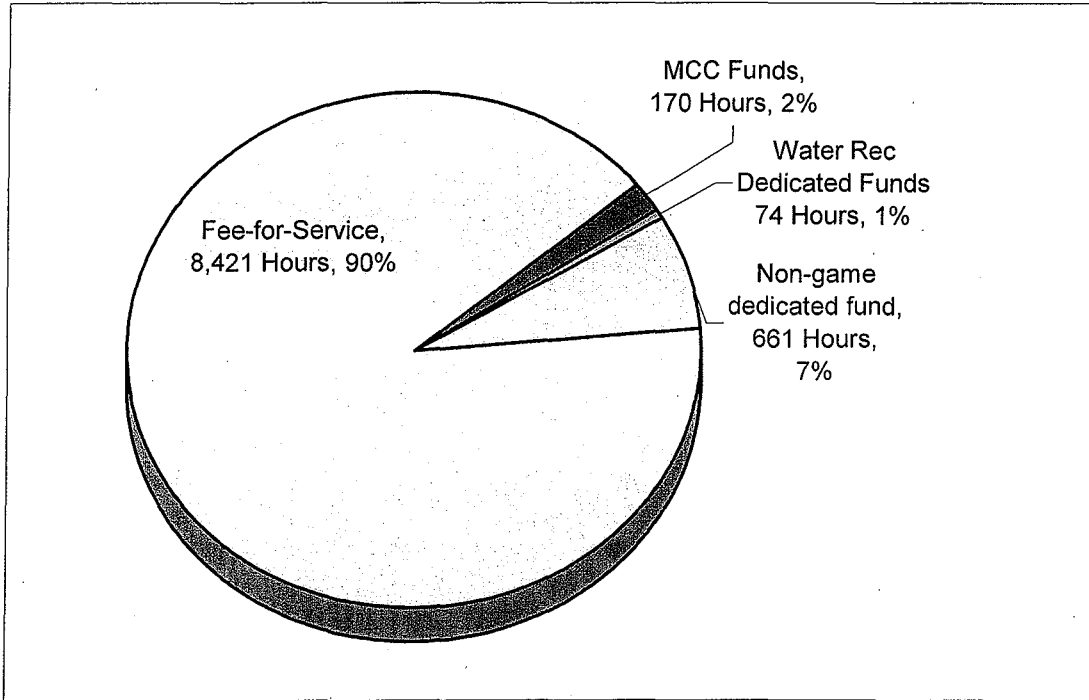
1,250 State Park Dedicated Fund hours were allocated to MCC for FY 2006. The 960 hour balance was carried over to be expended in FY 2007.

Forestry



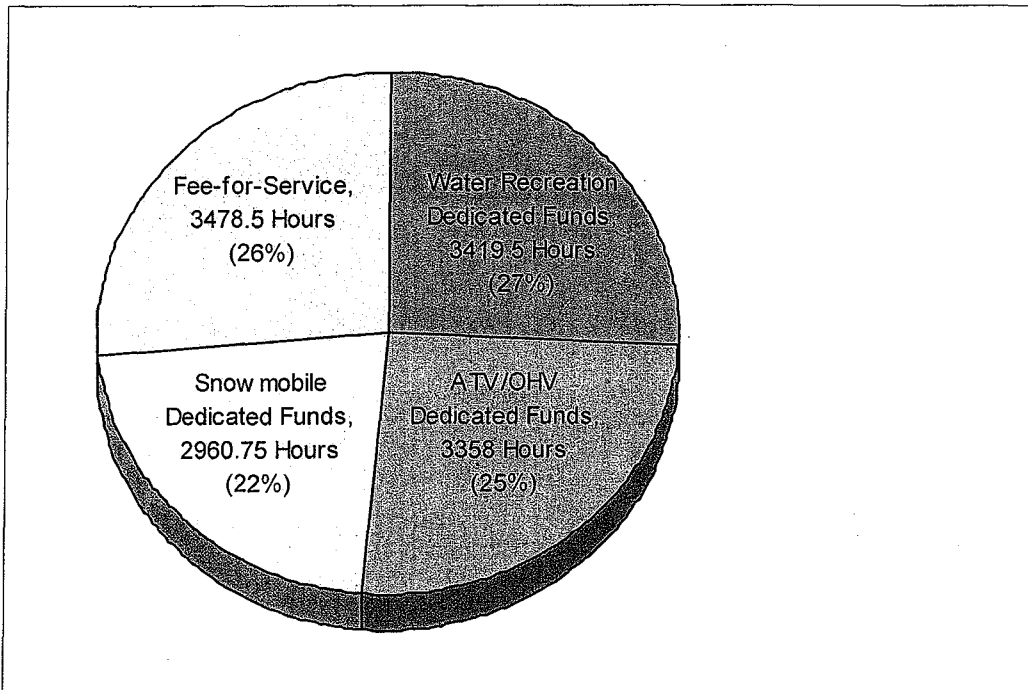
MCC completed 9,968 hours of work for DNR Forestry between July 1, 2005 and June 30, 2006. Approximately 5,000 of those hours were either direct or indirect fire suppression. The forestry division hours completed in Fiscal Year End 2007 will be significantly higher, due to the extended fire season.

Wildlife Division



Wildlife Division received 9,326 hours of MCC work. Of the 1,250 Non-Game Dedicated Fund hours allocated to MCC, 611 hours were expended with DNR Wildlife, while 442 hours were expended with DNR Eco-Services.

Trails and Waterways



13,216 hours of work projects were completed for DNR Trails and Waterways. 74% of this work was completed with Natural Resource Funds, and the remaining was fee-for-service contracts.

Minnesota Conservation Corps - Survey of Accomplished Work Log

Crew Name:			/ /2007 to / /2007						
Activity Code	Legislative District	Project Type*	Pay Period			Students		Volunteers	
			Work Accomplished	Units	Hours Worked	# of	Hrs	# of	Hrs
Crew Leader Signature: _____ Date: _____			Total Hours: 0.00			*Total Hours should match total crew hours			
			List other agencies/organizations/individuals that assisted with project completion:						
I certify that hours worked and work accomplished are correct.									
Supervisor Signature: _____ Date: _____			Please describe any safety concerns related to these projects:						
I have reviewed and approved all hours worked and work accomplished.									

***Use one of the following project types**

Disaster Response

- Disaster Damage Assessment (Structures)
- Disaster/Storm Damage Cleanup (Pounds)
- Flood Sand Bagging (Bags)

Homeland Security Education

- Environmental Education (Students)
- Homeland Security Education (Students)
- Training - Personal Development (Hours)
- Training - Technical Skills (Hours)

Fire Suppression

- Fire Suppression - Direct (Acres)
- Fire Suppression - Indirect (Hours)
- Prescribed Burning (Acres)

Infrastructure Maintenance & Improvement

- Boardwalk/Step Construction (Feet)
- Bridge Construction (Feet)
- Construction / Carpentry (Hours)
- Dock/Pier Construction (Feet)
- Nesting Structure Construction (Structures)
- Retaining Wall Construction (Feet)

Natural Resource Maintenance & Improvement

- Brush Removal (Acres)
- Chemical Application (Acres)
- Exotic Species Removal (Acres)
- Forest Inventory - CSA (Acres)
- Forest Inventory - FIA (Plots)
- Historic Bldg & Landmark Restoration (Structures)
- NR Area/Structure Improvement (Hours)
- Oak Savanna Restoration (Acres)
- Oak Wilt Sanitation (Trees)
- Plant & Animal Relocation (Animals/plants)
- Planting (Plants)
- Prairie Restoration (Acres)
- Seed Collecting - Forest (Bushels)
- Seed Collecting - Prairie (Pounds)
- Seedling Harvesting (Trees)
- Soil Management (Sq. Feet)
- Timber Stand Improvement & Bud Cap (Acres)
- Tree & Plant Surveys (Hours)
- Tree Planting - Large (Trees)
- Tree Planting - Seedlings (Trees)
- Tree Removal (Trees)
- Tree Spading (Trees)
- Tree Wrapping (Trees)

Emergency Transportation & Access

- Boundary Work (Feet)
- Erosion Control (Sq. Feet)
- GIS/GPS Mapping (Miles)
- Public Access Maintenance (Accesses)
- Road Improvement (Miles)
- Shelter Construction (Shelters)
- Snowmobile Trail Construction (Miles)
- Snowmobile Trail Improvement (Miles)
- Trail Construction (Miles)
- Trail Improvement (Miles)
- Misc. Trail Maintenance (Hours)

Water Quality & Safety

- Adopt-A-River Program (Hours)
- Culvert Surveys (Surveys)
- Dike Improvement (Feet)
- Lakeshore Restoration (Sq. Feet)
- River Clean-Up (Miles)
- Shoreline Restoration (Sq. Feet)
- Snag Removal (Miles)
- Streambank Stabilization (Sq. Feet)
- Water Quality Monitoring (Hours)
- Wetland Restoration (Acres)

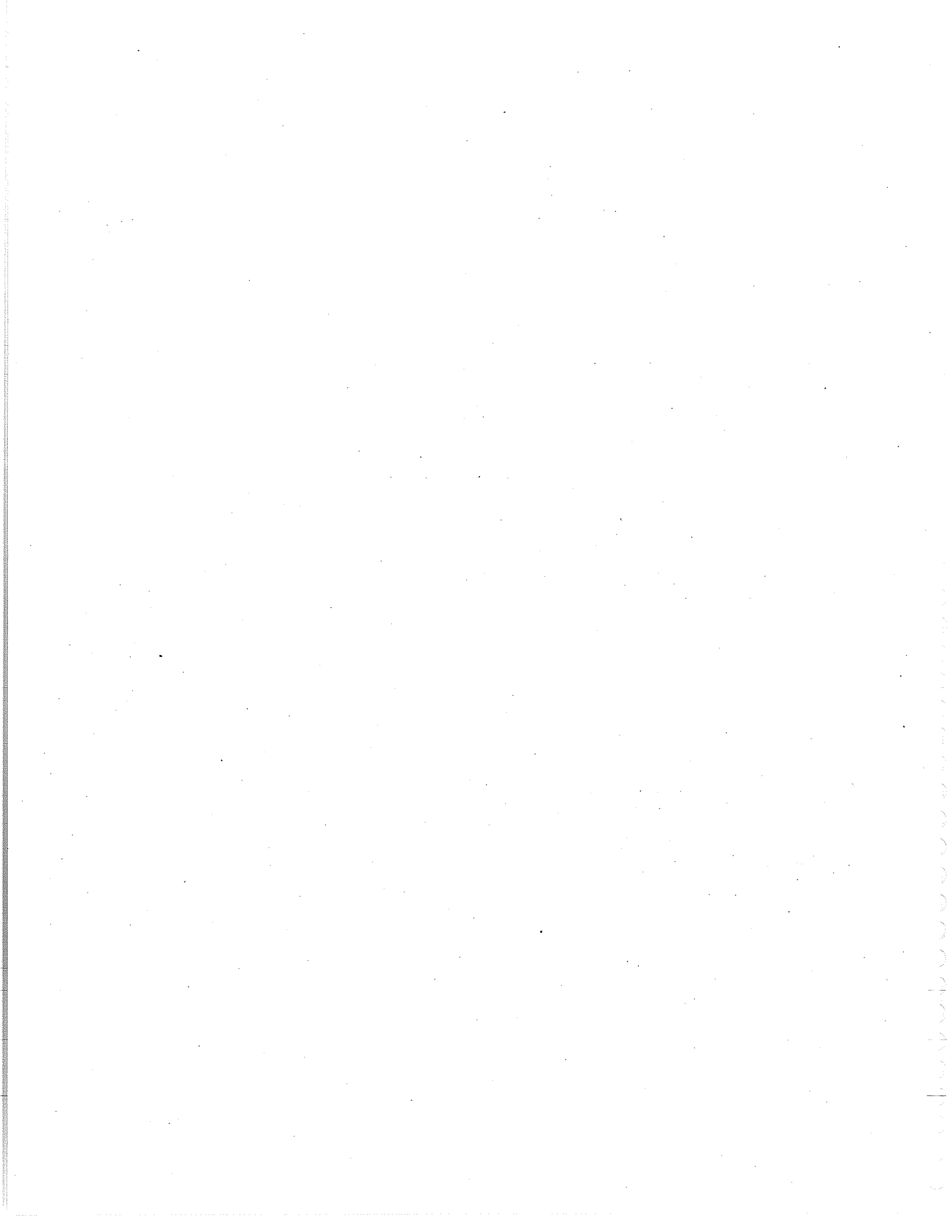
Environmental Health & Safety

- Bird Banding (Birds)
- CWD Testing (Number of Samples)
- Debris Removal (Pounds)
- Electroshocking (Fish)
- Fish Spawning and Stocking (Fish)
- Habitat Improvement - Fish (Acres)
- Habitat Improvement - Wildlife (Acres)
- Wildlife Surveys (Surveys)

Other

- Administrative (Hours)
- Community Service (Hours)
- General Program Work (Hours)
- PR/Media Relations (Hours)
- Landscaping (Acres)
- Pruning (Acres)







Friends of the Minnesota Conservation Corps

FRIENDS OF THE MINNESOTA CONSERVATION CORPS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Friends of the Minnesota Conservation Corps
St. Paul, Minnesota

We have audited the accompanying statement of financial position of **Friends of the Minnesota Conservation Corps** (a nonprofit organization) as of June 30, 2006, 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 audits. The prior year summarized comparative information has been derived from Organization's 2005 financial statements and in our report dated September 16, 2005, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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 such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 **Friends of the Minnesota Conservation Corps** as of June 30, 2006, 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.

Eide Bailey LLP

Minneapolis, Minnesota
September 7, 2006

FRIENDS OF THE MINNESOTA CONSERVATION CORPS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006 (WITH COMPARATIVE TOTALS FOR 2005)

ASSETS	2006	2005
CURRENT ASSETS		
Cash and cash equivalents	\$ 27,806	\$ 412,971
Grant receivable	961,321	70,840
Accounts receivable	332,168	191,530
Prepaid expenses	20,572	22,011
Total current assets	1,341,867	697,352
 EQUIPMENT, net of accumulated depreciation of \$52,917	 96,879	 73,198
 OTHER ASSETS		
Deposits	9,133	9,133
	\$ 1,447,879	\$ 779,683
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Note payable	\$ 13,732	\$ -
Education award liability	15,714	25,223
Accounts payable	111,256	109,324
Accrued expenses		
Payroll	130,079	137,839
Compensated absences	14,311	12,639
Total current liabilities	285,092	285,025
 LONG-TERM LIABILITIES		
Note payable, net	16,012	-
	301,104	285,025
 NET ASSETS		
Unrestricted, general operating	205,842	467,410
Unrestricted, board designated	29,123	27,248
	234,965	494,658
 Temporarily restricted	 911,810	 -
	1,146,775	494,658
	\$ 1,447,879	\$ 779,683

FRIENDS OF THE MINNESOTA CONSERVATION CORPS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006 (WITH COMPARATIVE TOTALS FOR 2005)

	2006			2005
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Support				
Federal grant	\$ 305,132	\$ -	\$ 305,132	\$ 445,166
Contributions	19,947	-	19,947	18,666
In-kind contributions	3,288	-	3,288	7,816
State grant	768,190	911,810	1,680,000	-
Revenue				
Fee for service	1,138,760	-	1,138,760	1,134,620
Interest	20,464	-	20,464	13,913
Miscellaneous	21,564	-	21,564	18,483
Loss on disposal of equipment	-	-	-	(2,150)
Total support and revenue	<u>2,277,345</u>	<u>911,810</u>	<u>3,189,155</u>	<u>1,636,514</u>
EXPENSES				
Program services				
Summer Youth	450,497	-	450,497	318,442
Young Adult	1,736,621	-	1,736,621	1,879,342
Management and general	217,825	-	217,825	191,169
Fundraising	132,095	-	132,095	118,437
Total expenses	<u>2,537,038</u>	<u>-</u>	<u>2,537,038</u>	<u>2,507,390</u>
CHANGE IN NET ASSETS	(259,693)	911,810	652,117	(870,876)
NET ASSETS AT BEGINNING OF YEAR	<u>494,658</u>	<u>-</u>	<u>494,658</u>	<u>1,365,534</u>
NET ASSETS AT END OF YEAR	<u>\$ 234,965</u>	<u>\$ 911,810</u>	<u>\$ 1,146,775</u>	<u>\$ 494,658</u>

FRIENDS OF THE MINNESOTA CONSERVATION CORPS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006 (WITH COMPARATIVE TOTALS FOR 2005)

	<u>2006</u>	<u>2005</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 652,117	\$ (870,876)
Adjustments to reconcile net assets to net cash and cash equivalents from (used for) operating activities		
Depreciation	23,981	21,349
Loss on disposal of equipment	-	2,150
In-kind contributions of equipment	(1,130)	-
Changes in assets and liabilities		
Grant receivable	(890,481)	769,160
Accounts receivable	(140,638)	(46,827)
Prepaid expenses	1,439	(14,588)
Deposits	-	(9,133)
Education award liability	(9,509)	(22,070)
Accounts payable	1,932	11,111
Accrued expenses	(6,088)	22,041
NET CASH USED FOR OPERATING ACTIVITIES	<u>(368,377)</u>	<u>(137,683)</u>
INVESTING ACTIVITIES		
Purchase of equipment	<u>(46,532)</u>	<u>(3,379)</u>
FINANCING ACTIVITIES		
Proceeds from long-term debt	41,500	-
Payments of long-term debt	<u>(11,756)</u>	<u>-</u>
NET CASH FROM FINANCING ACTIVITIES	<u>29,744</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(385,165)</u>	<u>(141,062)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>412,971</u>	<u>554,033</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 27,806</u>	<u>\$ 412,971</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES		
In-kind contributions of equipment	<u>\$ 1,130</u>	<u>\$ 4,200</u>

FRIENDS OF THE MINNESOTA CONSERVATION CORPS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2006 (WITH COMPARATIVE TOTALS FOR 2005)

	2006		
	Program Services		
	Summer Youth	Young Adult	Total
EXPENSES			
Living allowance - Corpsmembers	\$ 215,615	\$ 807,140	\$ 1,022,755
Staff salaries	77,495	280,882	358,377
Staff FICA	5,297	21,617	26,914
Staff fringe benefits	12,450	32,313	44,763
Corpsmember health insurance	633	48,302	48,935
Corpsmember FICA	18,332	61,700	80,032
Unemployment tax	414	2,555	2,969
Workers compensation	2,544	15,648	18,192
Lease - fleet	23,115	219,935	243,050
Project materials and equipment	11,708	40,345	52,053
Office rent	10,567	39,452	50,019
Accounting and audit	-	-	-
Corpsmember travel/food/camp	30,891	36,864	67,755
Depreciation	1,329	14,741	16,070
Building services	-	-	-
Property insurance	600	5,000	5,600
Communication	2,172	20,089	22,261
Travel expenses	1,914	7,228	9,142
Staff and corpsmember training	5,989	18,179	24,168
General liability insurance	5,172	18,360	23,532
Professional fees	7,983	8,795	16,778
Board expenses	-	-	-
Clothing	5,912	23,539	29,451
Interest expense	-	-	-
Miscellaneous expense	-	-	-
Maintenance and fuel - fleet	997	-	997
Insurance - fleet	520	-	520
Dues and subscriptions	-	-	-
Printing	-	-	-
Office supplies	3,223	2,705	5,928
D&O insurance	-	-	-
Awards/recognition	491	749	1,240
Newsletter/publication	-	-	-
Postage	-	-	-
Meetings	-	762	762
Banking and finance fees	-	-	-
Marketing	1,465	2,220	3,685
Utilities	2,836	950	3,786
Recruitment	833	6,551	7,384
TOTAL EXPENSES	\$ 450,497	\$ 1,736,621	\$ 2,187,118
% to total	18%	68%	86%

See Notes to Financial Statements

2006			2005
Supporting Services			
Management and General	Fundraising	Total	Total
\$ -	\$ -	\$ 1,022,755	\$ 1,016,142
104,260	67,967	530,604	529,565
7,328	5,008	39,250	40,512
14,160	11,062	69,985	52,589
-	-	48,935	62,610
-	-	80,032	79,716
1,938	1,118	6,025	4,105
984	384	19,560	19,507
174	-	243,224	275,602
-	-	52,053	69,269
19,136	13,630	82,785	51,417
14,551	-	14,551	9,058
-	-	67,755	78,217
6,853	1,058	23,981	21,349
-	-	-	210
622	-	6,222	6,733
3,762	2,064	28,087	31,878
7,685	9,059	25,886	16,868
3,362	801	28,331	22,095
1,293	1,293	26,118	17,600
8,837	8,045	33,660	43,203
2,711	-	2,711	3,485
-	-	29,451	18,889
3,125	-	3,125	-
-	-	-	45
-	-	997	4,662
-	-	520	-
3,901	-	3,901	4,419
-	-	-	2,341
8,355	3,042	17,325	4,130
1,728	-	1,728	1,413
532	-	1,772	-
-	-	-	2,940
-	-	-	2,618
793	-	1,555	2,756
454	-	454	267
1,004	7,564	12,253	2,232
-	-	3,786	3,161
277	-	7,661	5,787
<u>\$ 217,825</u>	<u>\$ 132,095</u>	<u>\$ 2,537,038</u>	<u>\$ 2,507,390</u>
<u>9%</u>	<u>5%</u>	<u>100%</u>	

FRIENDS OF THE MINNESOTA CONSERVATION CORPS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Friends of the Minnesota Conservation Corps (FMCC or the Organization) provides hands-on environmental stewardship and service-learning opportunities to youth and young adults while accomplishing priority and cost effective conservation and natural resource management projects and emergency response work.

The Friends of the Minnesota Conservation Corps has a long, rich history in the state of Minnesota. The Minnesota Conservation Corps was founded in 1981 as a State Program, replacing the Federal Youth Conservation Corps (YCC) of the 1970's. Over the next 20-plus years, the program was extremely successful training both youth and young adults in natural resource and conservation work and at the same time providing tremendous service to the State of Minnesota.

In 1997, the 501(c)(3) Friends of the Minnesota Conservation Corps was established to grow and support the programs. Thus, in July of 2003, when all funding was eliminated for the existing state programs, the operation of the Minnesota Conservation Corps was immediately transferred to the existing non-profit. This transition has benefited both the Minnesota Conservation Corps and the State of Minnesota. The Organization continues with its legal name "Friends of the Minnesota Conservation Corps", but is more commonly known as "The Minnesota Conservation Corps" to all of our constituents.

FMCC operates two programs for youth and young adults, training crews to work on natural resources conservation projects and to respond to emergencies or natural disasters across the state. The *Young Adult* program runs year round and employs 18-25 year olds. The *Summer Youth* program is an 8-week residential program for 15-18 year olds.

FMCC crews complete projects for a wide variety of natural resources agencies, including the Department of Natural Resources, the U.S. Forest Service, U.S. Fish and Wildlife Service, National Park Service, Soil and Water Conservation Districts, County Parks and more. Typical projects include forest inventory, wildlife surveys, trail development, erosion control, prescribed burning, wild land firefighting, log shelter construction, stream rehabilitation, tree planting, water access improvement, prairie restoration and timber stand improvement. *Young Adult* crews also work closely with local schools and community groups, providing environmental education and developing outdoor learning classrooms.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Organization has no permanently restricted net assets.

NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents

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

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 unrestricted net assets 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.

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 June 30, 2006.

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.

In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, 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. Property, services and other non-cash donations are recorded as in-kind contributions at their estimated market value at the date of donation.

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.

NOTES TO FINANCIAL STATEMENTS

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).

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.

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. Depreciation expense was \$23,981 for the year ended June 30, 2006.

	<u>Years</u>
Boats and trailers	10
Water pumps	10
Computer equipment	5
ATVs and snowmobiles	5

Comparative Financial Information

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 of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2005, from which the summarized information was derived.

Reclassifications

Certain amounts previously reported have been reclassified to conform to the 2006 presentation.

NOTE 2 - CONCENTRATION

Substantially all support is received in the form of grants and contracts; therefore, the Organization is dependent upon future funding.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - MINNESOTA CONSERVATION CORPS TRANSFER

Effective July 1, 2003, the Legislature of the State of Minnesota transferred the Minnesota Conservation Corps (MCC) out of the DNR to the FMCC. The state transferred the entity to ensure the continued operation of the MCC 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 and 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 FMCC 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 was \$298,475 for the year ended June 30, 2006.

The agreement was renewed on July 1, 2005, and expires on June 30, 2007.

The joint powers agreement also identifies appropriations to the FMCC out of the state's general and natural resources fund in equal amounts for the state's fiscal years 2006 and 2007. The funds remaining are appropriated in 2007 for the following purposes:

General operations	<u>\$ 350,000</u>
Natural resource projects	
Water recreation	200,000
All-terrain vehicle	100,000
Snowmobile trails and enforcement	115,000
Non-game wildlife management	25,000
State parks account	25,000
Forest management investment account	25,000
	<u>490,000</u>
	<u>\$ 840,000</u>

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2006:

Natural resource project funds	
General operations	\$ 350,000
Water recreation development	238,800
All-terrain vehicle trails	109,080
Snowmobile trails	122,210
Non-game wildlife	25,000
State park	40,200
Forestry	26,520
	<u>911,810</u>
Total	<u>\$ 911,810</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - RETIREMENT PLAN

The Organization sponsors a retirement plan under section 403(b) of the Internal Revenue Code. The plan allows for discretionary employer contributions to employees meeting eligibility requirements. The Organization's contribution was \$17,379 for the year ended June 30, 2006.

NOTE 6 - OPERATING LEASES

The Organization leases facilities and office space under lease and sublease agreements expiring through February 2009. 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 \$2,700. On August 1, 2005, the Organization entered into a lease agreement for a term of 24 months, commencing on August 1, 2005, and ending July 31, 2007. Rent expense under these and other lease agreements amounted to \$82,785 for the year ended June 30, 2006.

<u>Years Ending June 30</u>	<u>Amount</u>
2007	\$ 37,033
2008	32,400
2009	21,600
Total	<u>\$ 91,033</u>

NOTE 7 - LINE OF CREDIT

Friends of the Minnesota Conservation Corps has a line of credit arrangement under which it may borrow up to \$250,000 through November 1, 2007. Borrowings bear interest at 9.00% at June 30, 2006. The credit line is secured by all assets of Friends of the Minnesota Conservation Corps. There was no outstanding balance as of June 30, 2006.

NOTE 8 - IN-KIND CONTRIBUTIONS

The value of in-kind contributions at estimated fair value at the date of donation for the year ended June 30, 2006, is as follows:

Vehicle held for sale	\$ 1,130
Materials	2,158
Total	<u>\$ 3,288</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - NOTE PAYABLE

On July 8, 2005, the Organization issued a note payable in the original amount of \$41,500, payable in monthly payments of \$1,283, including interest at 7 percent, and due on July 8, 2008. The note is secured by the Organization's inventory and equipment.

Future principal payments are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2007	\$ 13,732
2008	<u>16,012</u>
Total	<u>\$ 29,744</u>