



Financial Statements  
With Independent Auditors' Report

July 31, 2018 and 2017

# MILITARY COMMUNITY YOUTH MINISTRIES

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Military Community Youth Ministries  
Colorado Springs, Colorado

We have audited the accompanying financial statements of Military Community Youth Ministries, which comprise the statements of financial position as of July 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### *Auditors' Responsibility*

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

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

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

Board of Directors  
Military Community Youth Ministries  
Colorado Springs, Colorado

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Military Community Youth Ministries, as of July 31, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

Colorado Springs, Colorado  
September 25, 2018

# MILITARY COMMUNITY YOUTH MINISTRIES

## Statements of Financial Position

	July 31,	
	2018	2017
ASSETS:		
Cash and cash equivalents	\$ 1,590,998	\$ 1,550,653
Accounts receivable	850	37,200
Accounts receivable from related organizations	24,670	13,300
Pledges receivable–net	17,308	17,987
Prepaid expenses	7,075	3,830
Furniture and equipment–net	576	2,328
Total Assets	<u>\$ 1,641,477</u>	<u>\$ 1,625,298</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,144	\$ 12,133
Accounts payable to related organizations	45,749	26,172
	<u>48,893</u>	<u>38,305</u>
Net assets:		
Unrestricted:		
Operating	1,091,066	1,068,959
Equity in furniture and equipment–net	576	2,328
	<u>1,091,642</u>	<u>1,071,287</u>
Temporarily restricted	500,942	515,706
	<u>1,592,584</u>	<u>1,586,993</u>
Total Liabilities and Net Assets	<u>\$ 1,641,477</u>	<u>\$ 1,625,298</u>

See notes to financial statements

# MILITARY COMMUNITY YOUTH MINISTRIES

## Statements of Activities

	Year Ended July 31,					
	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 836,010	\$ 167,885	\$ 1,003,895	\$ 749,995	\$ 198,128	\$ 948,123
Grant Revenue	198,500	347,500	546,000	347,500	265,000	612,500
Camp and service project fees	108,588	-	108,588	25,083	-	25,083
Contributed services and facilities	2,036,133	-	2,036,133	1,873,473	-	1,873,473
Contract revenue	-	-	-	70,311	-	70,311
Miscellaneous	6,190	-	6,190	8,855	-	8,855
<b>Total Support and Revenue</b>	<b>3,185,421</b>	<b>515,385</b>	<b>3,700,806</b>	<b>3,075,217</b>	<b>463,128</b>	<b>3,538,345</b>
<b>NET ASSETS RELEASED:</b>						
Purpose restrictions	424,645	(424,645)	-	371,716	(371,716)	-
Administrative assessments	91,875	(91,875)	-	74,150	(74,150)	-
Time restrictions	13,629	(13,629)	-	14,659	(14,659)	-
<b>Total Net Assets Released</b>	<b>530,149</b>	<b>(530,149)</b>	<b>-</b>	<b>460,525</b>	<b>(460,525)</b>	<b>-</b>
<b>EXPENSES:</b>						
International communities	1,676,735	-	1,676,735	1,602,504	-	1,602,504
Continental United States communities	693,733	-	693,733	487,682	-	487,682
Headquarters	1,324,747	-	1,324,747	1,395,235	-	1,395,235
<b>Total Expenses</b>	<b>3,695,215</b>	<b>-</b>	<b>3,695,215</b>	<b>3,485,421</b>	<b>-</b>	<b>3,485,421</b>
<b>Change in Net Assets</b>	<b>20,355</b>	<b>(14,764)</b>	<b>5,591</b>	<b>50,321</b>	<b>2,603</b>	<b>52,924</b>
<b>Net Assets, Beginning of Year</b>	<b>1,071,287</b>	<b>515,706</b>	<b>1,586,993</b>	<b>1,020,966</b>	<b>513,103</b>	<b>1,534,069</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,091,642</b>	<b>\$ 500,942</b>	<b>\$ 1,592,584</b>	<b>\$ 1,071,287</b>	<b>\$ 515,706</b>	<b>\$ 1,586,993</b>

See notes to financial statements

# MILITARY COMMUNITY YOUTH MINISTRIES

## Statements of Cash Flows

	Year Ended July 31,	
	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 5,591	\$ 52,924
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,752	3,018
Change in operating assets and liabilities:		
Accounts receivable	24,980	101,142
Pledges receivable-net	679	2,658
Prepaid expenses	(3,245)	10,448
Accounts payable and accrued expenses	(8,989)	(131)
Accounts payable to related organizations	19,577	(29,329)
Net Cash Provided by Operating Activities	<u>40,345</u>	<u>140,730</u>
Cash and Cash Equivalents, Beginning of Year	<u>1,550,653</u>	<u>1,409,923</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,590,998</u>	<u>\$ 1,550,653</u>

See notes to financial statements

# MILITARY COMMUNITY YOUTH MINISTRIES

## Notes to Financial Statements

July 31, 2018 and 2017

### 1. NATURE OF THE ORGANIZATION:

Military Community Youth Ministries (MCYM) is a Colorado corporation, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. MCYM is not a private foundation under Section 509(a) of the Internal Revenue Code. MCYM's primary sources of revenue are contributions, contract revenue, and contributed services.

MCYM provides the Club Beyond program to the teen-aged children of U.S. Military Families stationed around the world. All program service expenses (which exclude management and fundraising expenses) function in direct support of providing the Club Beyond program to military teens at U.S. Military installations around the world. These program service expenses were used to bring MCYM's Club Beyond program to U.S. military installations located in a number of different countries on multiple continents. The program is provided for American military teenagers of any race, color, creed, sex, age, disability, national origin, sexual orientation, or gender identity and is provided by responsible, trained, and screened adult MCYM staff and volunteer leaders, who reach out to military teens unconditionally as caring adult role models and mentors. Club Beyond is a faith-based, ecumenical program conducted in collaborative relationships with Military Chaplains at each location. The Club Beyond program provides teens with opportunities to participate in regular, safe, and well-supervised activities, such as weekly Club Beyond meetings, as well as periodic special events, which include but are not limited to weekend and week-long camp trips, work-service projects, and Bible studies.

The program was available to tens of thousands of military teenagers living at or near installations with Club Beyond programs. Club Beyond programs complement the work that military installation Chaplains and Commanders are engaged in to meet their responsibilities to serve and provide for their military family members. The Club Beyond program and its on-line and published resources align with and support a major goal of the U.S. Military: to build resiliency into Service Members and their Families. The expanding global network of Club Beyond programs is creating a "safe place" for military teens that serves as a source of stability and familiarity, as these teens frequently relocate with their parents, who are regularly transferred to U.S. Military duty stations around the world.

### 2. SIGNIFICANT ACCOUNTING POLICIES:

MCYM maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. 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, disclosures of any contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

# MILITARY COMMUNITY YOUTH MINISTRIES

## Notes to Financial Statements

July 31, 2018 and 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking and money market accounts at multiple financial institutions. At July 31, 2018 and 2017, MCYM's cash balances exceeded federally insured limits by approximately \$1,341,000 and \$1,301,000, respectively. In addition, MCYM has accounts that are held in foreign banks, and those accounts had reconciled balances of approximately \$154,000 and \$304,000 as of July 31, 2018 and 2017, respectively. Foreign currency exchange rate gain for the years ended July 31, 2018 and 2017 of \$632 and \$119, respectively, are recorded within miscellaneous income on the statements of activities.

#### ACCOUNTS RECEIVABLE FROM RELATED ORGANIZATIONS

As of July 31, 2018 and 2017, accounts receivable from related organizations consist of related party donations receivable. Management considers all accounts receivable to be collectible; therefore, no allowance for doubtful accounts is considered necessary. Accounts are written off when all methods to collect have been exhausted.

#### PLEDGES RECEIVABLE—NET

Pledges receivable are unconditional promises to give and are recognized as assets and support in the period made. All pledges receivable are due within one year. An allowance for uncollectible amounts of \$5,550 and \$10,994 was recorded as of July 31, 2018 and 2017, respectively. Management's estimate of uncollectible amounts was based upon analysis of historical collections.

#### FURNITURE AND EQUIPMENT—NET

Furniture and equipment are recorded at cost or, if donated, estimated fair value at the date of receipt. Items with a cost or fair value greater than \$1,000 are capitalized. Depreciation is calculated on the straight-line method over an estimated useful life of three to five years.

#### CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets:

*Unrestricted net assets* include resources that are used to support MCYM's current operations and provide for the long-term needs of MCYM, as well as resources invested in furniture and equipment.

*Temporarily restricted net assets* consist of amounts restricted by donors for programs and pledges receivable.

# MILITARY COMMUNITY YOUTH MINISTRIES

## Notes to Financial Statements

July 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when made, which may be when cash or other assets are received or unconditionally promised. Contributed goods are recorded at their estimated fair value. Contributions received are recorded as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily restricted net assets. When donor restrictions expire, that is, when the purpose restriction is fulfilled or the time restriction expires, the net assets are reclassified from temporarily restricted to unrestricted net assets.

The Not-for-Profit Topic of the FASB Accounting Standards Codification requires recording the value of donated services that create or enhance nonfinancial assets or require specialized skills. MCYM records seconded missionary staff services from Young Life that meet these requirements. Contributed rent consists of donated office space and is recorded at the estimated fair market value.

Camp and service project fees are collected from participants. Revenue is recognized when the event occurs.

3. FURNITURE AND EQUIPMENT—NET:

Furniture and equipment—net consist of:

	July 31,	
	2018	2017
Furniture and equipment	\$ 34,040	\$ 34,040
Less accumulated depreciation	(33,464)	(31,712)
	<u>\$ 576</u>	<u>\$ 2,328</u>

4. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	July 31,	
	2018	2017
START grants	\$ 358,106	\$ 334,382
Campership	125,528	163,337
Time restricted	17,308	17,987
	<u>\$ 500,942</u>	<u>\$ 515,706</u>

# MILITARY COMMUNITY YOUTH MINISTRIES

## Notes to Financial Statements

July 31, 2018 and 2017

5. LINE OF CREDIT:

During the year ended July 31, 2018, MCYM renewed an unsecured line of credit with a financial institution in the amount of \$100,000, with an interest rate of 5.25%, maturing in December 2018. MCYM also maintains an unsecured line of credit with a related party in the amount of \$100,000, with an interest rate of 5%, maturing in September 2018. No draws were made on the lines of credit during the years ended July 31, 2018 and 2017.

6. CONTRIBUTED SERVICES AND FACILITIES:

Contributed services and facilities consist of:

	Year Ended July 31,	
	2018	2017
Support funds sent directly to Young Life (see note 8)	\$ 1,987,452	\$ 1,867,046
Non-cash donations	43,127	-
Contributed rent	5,554	6,427
	\$ 2,036,133	\$ 1,873,473

7. FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing various program services and supporting activities have been summarized on a functional basis below. Accordingly, certain costs, such as personnel and occupancy, have been allocated among the program services and supporting activities benefited. All program service expenses function in direct support of providing the Club Beyond program to military teens at United States Military installations around the world.

MCYM's functional expenses are:

	Year Ended July 31,	
	2018	2017
Program services	\$ 3,150,636	\$ 2,860,685
Supporting activities:		
General and administrative	403,758	469,296
Fundraising	140,821	155,440
	\$ 3,695,215	\$ 3,485,421

# MILITARY COMMUNITY YOUTH MINISTRIES

## Notes to Financial Statements

July 31, 2018 and 2017

8. RELATED PARTY TRANSACTIONS:

Most MCYM staff members are hired through Young Life. MCYM also hires staff when Young Life is unable to provide staffing. MCYM directly supervises these staff members and also assists them in raising support funds. The support funds raised by these staff members are generally sent by the donor directly to their parent agency and are recognized by MCYM as contribution revenue and personnel expenses.

As of September 30, 2016, the partnership with MCYM and Youth for Christ was dissolved and thus there was no related party transactions between MCYM and Youth for Christ during the year ended July 31, 2018, and the transactions were minimal during the year ended July 31, 2017.

Related party transactions consist of:

	Year Ended July 31,	
	2018	2017
Related party personnel expenses:		
Support funds raised through:		
Young Life (approximately 49 individuals in both years ended 2018 and 2017, respectively)	\$ 1,987,452	\$ 1,843,871
Youth for Christ (approximately 0 and 6 individuals in 2018 and 2017, respectively)	-	23,175
	1,987,452	1,867,046
MCYM personnel expenses:		
Young Life	978,900	1,016,740
Youth for Christ	-	10,650
	978,900	1,027,390
	\$ 2,966,352	\$ 2,894,436
	July 31,	
	2018	2017
Accounts receivable:		
Young Life	\$ 24,670	\$ 13,300
Accounts payable:		
Young Life	\$ 45,749	\$ 26,172

# MILITARY COMMUNITY YOUTH MINISTRIES

## Notes to Financial Statements

July 31, 2018 and 2017

9. LEASE COMMITMENTS:

Effective March 2006, MCYM entered into a related party lease agreement with Young Life, which was renewed in March 2017 and expires February 2019. Rent expense was \$62,543 and \$61,943 for the years ended July 31, 2018 and 2017, respectively.

Future minimum lease payments are:

<u>Year Ending July 31,</u>	
2019	\$ 38,937
2020	870
	<hr/>
	\$ 39,807
	<hr/> <hr/>

10. SUBSEQUENT EVENTS:

Subsequent events were evaluated through September 25, 2018, which is the date the financial statements were available to be issued.

## **SUPPLEMENTAL INFORMATION**

**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTAL INFORMATION**

Board of Directors  
Military Community Youth Ministries  
Colorado Springs, Colorado

We have audited the financial statements of Military Community Youth Ministries as of and for the years ended July 31, 2018 and 2017, and our report thereon dated September 25, 2018, which expresses an unmodified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are 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 audits 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 as a whole.

*Capin Crouse LLP*

Colorado Springs, Colorado  
September 25, 2018

# MILITARY COMMUNITY YOUTH MINISTRIES

## Schedules of Functional Expenses

	Year Ended July 31, 2018			
	Program Services	General and Administrative	Fundraising	Total
Personnel	\$ 2,679,774	\$ 217,528	\$ 69,051	\$ 2,966,353
Camp and service projects	173,490	-	-	173,490
Conferences and meetings	94,201	25,120	6,280	125,601
Youth programs	86,161	-	-	86,161
Office	22,413	42,052	7,163	71,628
Occupancy	30,603	34,003	3,400	68,006
Travel	53,973	6,747	6,747	67,467
Fees for service	-	45,292	-	45,292
Fundraising/special events	-	-	44,747	44,747
Insurance	-	27,128	-	27,128
Advertising and promotion	6,516	3,258	3,258	13,032
Information technology	2,279	2,279	-	4,558
Depreciation	1,226	351	175	1,752
Total Expenses	<u>\$ 3,150,636</u>	<u>\$ 403,758</u>	<u>\$ 140,821</u>	<u>\$ 3,695,215</u>
Percentage of Total Expenses	85%	11%	4%	100%

# MILITARY COMMUNITY YOUTH MINISTRIES

## Schedules of Functional Expenses

	Year Ended July 31, 2017			
	Program Services	General and Administrative	Fundraising	Total
Personnel	\$ 2,530,975	\$ 300,324	\$ 71,466	\$ 2,902,765
Camp and service projects	132,339	-	-	132,339
Conferences and meetings	89,284	23,808	5,952	119,044
Occupancy	30,766	34,185	3,418	68,369
Office	19,770	35,038	5,936	60,744
Fundraising/special events	-	-	58,014	58,014
Fees for service	-	41,971	-	41,971
Travel	31,097	3,887	3,887	38,871
Advertising and promotion	12,930	6,465	6,465	25,860
Insurance	-	20,962	-	20,962
Youth programs	9,360	-	-	9,360
Information technology	2,052	2,052	-	4,104
Depreciation	2,112	604	302	3,018
Total Expenses	\$ 2,860,685	\$ 469,296	\$ 155,440	\$ 3,485,421
Percentage of Total Expenses	82%	14%	4%	100%