



MILITARY COMMUNITY YOUTH MINISTRIES

Financial Statements
With Independent Auditors' Report

July 31, 2019 and 2018

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, 2019 and 2018, and the related statements of activities, functional expenses, 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, 2019 and 2018, 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.

Emphasis of Matter

Military Community Youth Ministries has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in note 2. This has had a material effect on the presentation of the July 31, 2019 financial statements. Our opinion is not modified in respect to this matter.

Capin Crouse LLP

Colorado Springs, Colorado
September 19, 2019

MILITARY COMMUNITY YOUTH MINISTRIES

Statements of Financial Position

	July 31,	
	2019	2018
ASSETS:		
Cash and cash equivalents	\$ 1,468,356	\$ 1,590,998
Accounts receivable	5,527	850
Accounts receivable from related organizations	28,582	24,670
Pledges receivable–net	10,000	17,308
Prepaid expenses	44,192	7,075
Furniture and equipment–net	-	576
Total Assets	<u>\$ 1,556,657</u>	<u>\$ 1,641,477</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 25,428	\$ 3,144
Accounts payable to related organizations	7,728	45,749
	<u>33,156</u>	<u>48,893</u>
Net assets:		
Without donor restrictions	980,939	1,091,642
With donor restrictions	542,562	500,942
	<u>1,523,501</u>	<u>1,592,584</u>
Total Liabilities and Net Assets	<u>\$ 1,556,657</u>	<u>\$ 1,641,477</u>

See notes to financial statements

MILITARY COMMUNITY YOUTH MINISTRIES

Statements of Activities

	Year Ended July 31,					
	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 476,571	\$ 432,964	\$ 909,535	\$ 836,010	\$ 167,885	\$ 1,003,895
Grant Revenue	321,408	297,000	618,408	198,500	347,500	546,000
Camp and service project fees	187,033	-	187,033	108,588	-	108,588
Contributed services and facilities	1,579,647	-	1,579,647	2,036,133	-	2,036,133
Miscellaneous	56,459	-	56,459	6,190	-	6,190
Total Support and Revenue	2,621,118	729,964	3,351,082	3,185,421	515,385	3,700,806
NET ASSETS RELEASED:						
Purpose restrictions	580,286	(580,286)	-	424,645	(424,645)	-
Administrative assessments	90,750	(90,750)	-	91,875	(91,875)	-
Time restrictions	17,308	(17,308)	-	13,629	(13,629)	-
Total Net Assets Released	688,344	(688,344)	-	530,149	(530,149)	-
EXPENSES:						
International communities	1,434,701	-	1,434,701	1,676,735	-	1,676,735
Continental United States communities	831,349	-	831,349	693,733	-	693,733
Headquarters	1,154,115	-	1,154,115	1,324,747	-	1,324,747
Total Expenses	3,420,165	-	3,420,165	3,695,215	-	3,695,215
Change in Net Assets	(110,703)	41,620	(69,083)	20,355	(14,764)	5,591
Net Assets, Beginning of Year	1,091,642	500,942	1,592,584	1,071,287	515,706	1,586,993
Net Assets, End of Year	\$ 980,939	\$ 542,562	\$ 1,523,501	\$ 1,091,642	\$ 500,942	\$ 1,592,584

See notes to financial statements

MILITARY COMMUNITY YOUTH MINISTRIES

Statement of Functional Expenses

	Year Ended July 31, 2019			
	Program Services	General and Administrative	Fundraising	Total
Personnel	\$ 2,383,590	\$ 249,070	\$ 38,750	\$ 2,671,410
Facilities and meals	140,974	34,391	3,439	178,804
Travel and transportation	126,799	6,482	6,482	139,763
Conferences and meetings	89,812	23,917	5,979	119,708
Events & club activities	74,229	-	19,680	93,909
Office (including telephone/postage)	29,359	45,352	6,537	81,248
Scholarship	57,298	-	-	57,298
Insurance	-	43,170	-	43,170
Fees for services	-	15,855	-	15,855
Advertising and promotion	7,133	3,567	3,567	14,267
Information technology	2,079	2,078	-	4,157
Depreciation	403	115	58	576
Total Expenses	<u>\$ 2,911,676</u>	<u>\$ 423,997</u>	<u>\$ 84,492</u>	<u>\$ 3,420,165</u>
Percentage of Total Expenses	85.1%	12.4%	2.5%	100%

See notes to financial statements

MILITARY COMMUNITY YOUTH MINISTRIES

Statement of Functional Expenses

	Year Ended July 31, 2018			
	Program Services	General and Administrative	Fundraising	Total
Personnel	\$ 2,679,777	\$ 217,528	\$ 69,051	\$ 2,966,356
Facilities and meals	125,308	34,003	3,400	162,711
Travel and transportation	93,563	6,747	6,747	107,057
Conferences and meetings	95,022	25,120	6,280	126,422
Events & club activities	100,732	-	29,354	130,086
Office (including telephone/postage)	23,403	43,042	7,163	73,608
Scholarship	39,194	-	-	39,194
Insurance	-	27,128	-	27,128
Fees for services	-	45,292	-	45,292
Advertising and promotion	6,516	3,258	3,258	13,032
Information technology	1,288	1,289	-	2,577
Depreciation	1,227	350	175	1,752
Total Expenses	<u>\$ 3,166,030</u>	<u>\$ 403,757</u>	<u>\$ 125,428</u>	<u>\$ 3,695,215</u>
Percentage of Total Expenses	85.7%	10.9%	3.4%	100%

See notes to financial statements

MILITARY COMMUNITY YOUTH MINISTRIES

Statements of Cash Flows

	Year Ended July 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (69,083)	\$ 5,591
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	576	1,752
Change in operating assets and liabilities:		
Accounts receivable	(8,589)	24,980
Pledges receivable-net	7,308	679
Prepaid expenses	(37,117)	(3,245)
Accounts payable and accrued expenses	22,284	(8,989)
Accounts payable to related organizations	(38,021)	19,577
Net Cash Provided (Used) by Operating Activities	<u>(122,642)</u>	<u>40,345</u>
Cash and Cash Equivalents, Beginning of Year	<u>1,590,998</u>	<u>1,550,653</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,468,356</u>	<u>\$ 1,590,998</u>

See notes to financial statements

MILITARY COMMUNITY YOUTH MINISTRIES

Notes to Financial Statements

July 31, 2019 and 2018

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 (IRC). MCYM is not a private foundation under Section 509(a) of the IRC. MCYM's primary sources of revenue are contributions 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, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking and money market accounts at multiple financial institutions. As of July 31, 2019 and 2018, MCYM's cash balances exceeded federally insured limits by approximately \$1,240,000 and \$1,340,000, respectively. In addition, MCYM has an account that is held in a foreign bank, and this account had a reconciled balance of approximately \$42,000 and \$8,000, as of July 31, 2019 and 2018, respectively. The entire foreign bank balance for both years did not exceed Statutory Depositor Protection by German Federal Law. Foreign currency exchange rate gain (loss) for the years ended July 31, 2019 and 2018 of (\$1,823) and \$632, respectively, are recorded within miscellaneous income on the statements of activities.

ACCOUNTS RECEIVABLE

As of July 31, 2019 and 2018, accounts receivable and accounts receivable from related organizations consist of donations from foundations receivable and 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 \$6,478 and \$5,550 was recorded as of July 31, 2019 and 2018, 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:

Net assets without donor restrictions include resources that are used to support MCYM's current operations, as well as resources invested in furniture and equipment.

Net assets with donor restrictions consist of amounts restricted by donors for programs and pledges receivable.

MILITARY COMMUNITY YOUTH MINISTRIES

Notes to Financial Statements

July 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash or other assets are received or unconditionally promised. MCYM reports gifts of cash and other assets as restricted support, if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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.

FUNCTIONAL ALLOCATION OF EXPENSES

The statements of functional expenses report certain categories of expenses that are attributable to program support of MYCM. These expenses include depreciation, amortization, and occupancy, which are allocated based on square footage of occupancy. Costs of other categories are allocated based on the estimated of time and effort.

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.

ADOPTION OF RECENTLY ISSUED PRONOUNCEMENTS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. MCYM adopted the provisions of this new standard during the year ended July 31, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added including liquidity and funds available (note 3), and disclosures related to functional allocation of expenses were expanded (note 2, above). The statement of functional expenses for the year ended July 31, 2018 was adjusted for changes in assumptions made during the year ended July 31, 2019 for presentation purposes. Adoption of this standard had no effect on the change in net assets by class or net assets in total.

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects MCYM's financial assets as of July 31, 2019 and 2018. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. There were no financial assets not available for general expenditure within one year as of July 31, 2019 and 2018.

MILITARY COMMUNITY YOUTH MINISTRIES

Notes to Financial Statements

July 31, 2019 and 2018

3. LIQUIDITY AND FUNDS AVAILABLE, continued:

	July 31,	
	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 1,468,356	\$ 1,590,998
Accounts receivable	5,527	850
Accounts receivable from related organizations	28,582	24,670
Pledges receivable–net	10,000	17,308
Financial assets, at year-end:	\$ 1,512,465	\$ 1,633,826

MCYM structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management monitors cash flows closely through monthly reviews and quarterly board meetings. MCYM also has lines of credit in the amount of \$200,000, which it could draw upon as needed. See further detail about lines of credit at note 6.

4. FURNITURE AND EQUIPMENT–NET:

Furniture and equipment–net consist of:

	July 31,	
	2019	2018
Furniture and equipment	\$ 34,040	\$ 34,040
Less accumulated depreciation	(34,040)	(33,464)
	\$ -	\$ 576

5. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	July 31,	
	2019	2018
START grants	\$ 332,280	\$ 358,106
Rapid response	50,162	-
Hero fund	45,033	-
Campership	76,703	125,528
Other designations	28,384	-
Time restricted	10,000	17,308
	\$ 542,562	\$ 500,942

MILITARY COMMUNITY YOUTH MINISTRIES

Notes to Financial Statements

July 31, 2019 and 2018

6. LINE OF CREDIT:

During the year ended July 31, 2019, 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 2019. 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 2019. No draws were made on the lines of credit during the years ended July 31, 2019 and 2018.

7. ALLOCATION OF JOINT COSTS:

MCYM incurred joint costs related to newsletter printing and banquet expense. These expenses have been allocated as follows:

	Year Ended July 31,	
	2019	2018
Program services	\$ 21,872	\$ 24,607
Supporting services:		
General and administrative	4,685	4,467
Fundraising	20,310	23,118
	<u>\$ 46,867</u>	<u>\$ 52,192</u>

8. CONTRIBUTED SERVICES AND FACILITIES:

Contributed services and facilities consist of:

	Year Ended July 31,	
	2019	2018
Support funds sent directly to Young Life (see note 9)	\$ 1,574,030	\$ 1,987,452
Non-cash donations	-	43,127
Contributed rent	5,617	5,554
	<u>\$ 1,579,647</u>	<u>\$ 2,036,133</u>

MILITARY COMMUNITY YOUTH MINISTRIES

Notes to Financial Statements

July 31, 2019 and 2018

9. 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.

Related party transactions consist of:

	Year Ended July 31,	
	2019	2018
Related party personnel expenses:		
Support funds raised through Young Life (approximately 47 and 48 individuals in 2019 and 2018, respectively)	\$ 1,574,030	\$ 1,987,452
MCYM personnel expenses to Young Life	1,097,383	978,900
	\$ 2,671,413	\$ 2,966,352
Board Members (raised through 21 and 16 individual board members in 2019 and 2018, respectively)	\$ 185,060	\$ 73,684
	July 31,	
	2019	2018
Young Life accounts receivable	\$ 28,582	\$ 24,670
Young Life accounts payable	\$ 7,728	\$ 45,749

10. LEASE COMMITMENTS:

Effective March 2006, MCYM entered into a related party lease agreement with Young Life, which was renewed in August 2019 and expires February 2021. Rent expense was \$63,166 and \$62,543, for the years ended July 31, 2019 and 2018, respectively. Future minimum lease payments are:

Year Ending July 31,	
2020	\$ 63,998
2021	36,848
	\$ 100,846

11. SUBSEQUENT EVENTS:

Subsequent events were evaluated through September 19, 2019, which is the date the financial statements were available to be issued.