



Financial Statements  
With Independent Auditors' Report

July 31, 2017 and 2016

# 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 (MCYM), which comprise the statements of financial position as of July 31, 2017 and 2016, 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 MCYM'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 MCYM'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, 2017 and 2016, 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 20, 2017

# MILITARY COMMUNITY YOUTH MINISTRIES

## Statements of Financial Position

	July 31,	
	2017	2016
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 1,550,653	\$ 1,409,923
Accounts receivable	50,500	151,642
Pledges receivable–net	17,987	20,645
Prepaid expenses	3,830	14,278
Furniture and equipment–net	2,328	5,346
	<hr/>	<hr/>
Total Assets	<u>\$ 1,625,298</u>	<u>\$ 1,601,834</u>
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 12,133	\$ 12,264
Accounts payable to related organizations	26,172	55,501
	<hr/>	<hr/>
	38,305	67,765
	<hr/>	<hr/>
Net assets:		
Unrestricted:		
Operating	1,068,959	1,015,620
Equity in furniture and equipment	2,328	5,346
	<hr/>	<hr/>
	1,071,287	1,020,966
Temporarily restricted	515,706	513,103
	<hr/>	<hr/>
	1,586,993	1,534,069
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Total Liabilities and Net Assets	<u>\$ 1,625,298</u>	<u>\$ 1,601,834</u>

See notes to financial statements

# MILITARY COMMUNITY YOUTH MINISTRIES

## Statements of Activities

	Year Ended July 31,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 1,097,495	\$ 463,128	\$ 1,560,623	\$ 804,788	\$ 532,284	\$ 1,337,072
Contract revenue	70,311	-	70,311	1,348,127	-	1,348,127
Camp and service project fees	25,083	-	25,083	145,421	-	145,421
Contributed services and facilities	1,873,473	-	1,873,473	3,524,228	-	3,524,228
Miscellaneous	8,855	-	8,855	27,816	-	27,816
<b>Total Support and Revenue</b>	<b>3,075,217</b>	<b>463,128</b>	<b>3,538,345</b>	<b>5,850,380</b>	<b>532,284</b>	<b>6,382,664</b>
<b>NET ASSETS RELEASED:</b>						
Administrative assessments	74,150	(74,150)	-	90,350	(90,350)	-
Time restrictions	14,659	(14,659)	-	98,464	(98,464)	-
Purpose restrictions	371,716	(371,716)	-	273,238	(273,238)	-
<b>Total Net Assets Released</b>	<b>460,525</b>	<b>(460,525)</b>	<b>-</b>	<b>462,052</b>	<b>(462,052)</b>	<b>-</b>
<b>EXPENSES:</b>						
International communities	1,602,504	-	1,602,504	3,887,913	-	3,887,913
Continental United States communities	487,682	-	487,682	1,207,086	-	1,207,086
Headquarters	1,395,235	-	1,395,235	1,255,550	-	1,255,550
<b>Total Expenses</b>	<b>3,485,421</b>	<b>-</b>	<b>3,485,421</b>	<b>6,350,549</b>	<b>-</b>	<b>6,350,549</b>
<b>Change in Net Assets</b>	<b>50,321</b>	<b>2,603</b>	<b>52,924</b>	<b>(38,117)</b>	<b>70,232</b>	<b>32,115</b>
<b>Net Assets, Beginning of Year</b>	<b>1,020,966</b>	<b>513,103</b>	<b>1,534,069</b>	<b>1,059,083</b>	<b>442,871</b>	<b>1,501,954</b>
<b>Net Assets, End 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>

See notes to financial statements

# MILITARY COMMUNITY YOUTH MINISTRIES

## Statements of Cash Flows

	Year Ended July 31,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 52,924	\$ 32,115
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,018	2,979
Change in operating assets and liabilities:		
Accounts receivable	101,142	194,958
Pledges receivable	2,658	77,819
Prepaid expenses	10,448	(1,941)
Accounts payable and accrued expenses	(131)	(11,298)
Accounts payable to related organizations	(29,329)	(50,789)
Net Cash Provided by Operating Activities	140,730	243,843
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of furniture and equipment	-	(1,732)
Net Cash Used by Investing Activities	-	(1,732)
Net Change in Cash and Cash Equivalents	140,730	242,111
Cash and Cash Equivalents, Beginning of Year	1,409,923	1,167,812
Cash and Cash Equivalents, End of Year	\$ 1,550,653	\$ 1,409,923

See notes to financial statements

# MILITARY COMMUNITY YOUTH MINISTRIES

## Notes to Financial Statements

July 31, 2017 and 2016

### 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.

Military Community Youth Ministries (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, 2017 and 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking and money market accounts. These accounts may, at times, exceed federally insured limits. MCYM has not experienced any losses in such accounts, and it believes it is not exposed to any significant credit risk on cash and cash equivalents. In addition, MCYM has accounts that are held in foreign banks, and those accounts had reconciled balances of \$304,020 and \$605,419 as of July 31, 2017 and 2016, respectively. Foreign currency exchange rate gain and (loss) for the years ended July 31, 2017 and 2016 of \$119 and (\$307), respectively, are recorded within miscellaneous income on the statements of activities.

#### ACCOUNTS RECEIVABLE

As of July 31, 2017, accounts receivable consist of bequeathments and related party donations receivable. During the year ended July 31, 2017, contract revenue was suspended. Accounts receivable related to contracts was \$120,261 as of July 31, 2016. 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 \$10,994 and \$14,238 was recorded as of July 31, 2017 and 2016, 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, 2017 and 2016

### 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.

Contract revenue includes payments received from contracts for youth work from various military bases throughout Europe, the U.S., and the Pacific Rim. These payments are recognized as revenue when earned.

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 and Youth for Christ that meet these requirements. Contributed rent consists of donated office space and are recorded at the estimated fair market value.

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

#### UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of July 31, 2017, MCYM had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

MCYM is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2014.

### 3. FURNITURE AND EQUIPMENT–NET:

Furniture and equipment–net consist of:

	July 31,	
	2017	2016
Furniture and equipment	\$ 34,040	\$ 34,040
Less accumulated depreciation	(31,712)	(28,694)
	<u>\$ 2,328</u>	<u>\$ 5,346</u>

# MILITARY COMMUNITY YOUTH MINISTRIES

## Notes to Financial Statements

July 31, 2017 and 2016

4. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	July 31,	
	2017	2016
START grants	\$ 334,382	\$ 317,024
Campership	163,337	175,434
Time restricted	17,987	20,645
	<u>\$ 515,706</u>	<u>\$ 513,103</u>

5. LINE OF CREDIT:

During the year ended July 31, 2017, MCYM held an unsecured line of credit with a financial institution in the amount of \$100,000, with an interest rate of 4.5%, maturing in January 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 December 2017. No draws were made on the lines of credit during the year ended July 31, 2017.

6. CONTRIBUTED SERVICES AND FACILITIES:

Contributed services and facilities consist of:

	Year Ended July 31,	
	2017	2016
Support funds sent directly to Young Life and Youth for Christ (see note 8)	\$ 1,867,046	\$ 3,499,463
Contributed rent	6,427	24,765
	<u>\$ 1,873,473</u>	<u>\$ 3,524,228</u>

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.

# MILITARY COMMUNITY YOUTH MINISTRIES

## Notes to Financial Statements

July 31, 2017 and 2016

7. FUNCTIONAL ALLOCATION OF EXPENSES, continued:

MCYM's functional expenses are:

	Year Ended July 31,	
	2017	2016
Program services	\$ 2,860,685	\$ 5,711,281
Supporting activities:		
General and administrative	469,296	563,641
Fundraising	155,440	75,627
	\$ 3,485,421	\$ 6,350,549

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. In addition, MCYM forwards contract revenue to staff agencies for the direct salaries and related MCYM personnel expenses.

As of September 30, 2016, the partnership with MCYM and Youth for Christ was dissolved and thus the related party transactions between MCYM and Youth for Christ were minimal during the year ended July 31, 2017.

Related party transactions consist of:

	Year Ended July 31,	
	2017	2016
Related party personnel expenses:		
Support funds raised through:		
Young Life (approximately 49 and 56 individuals in 2017 and 2016, respectively)	\$ 1,843,871	\$ 2,197,290
Youth for Christ (approximately 6 and 24 individuals in 2017 and 2016, respectively)	23,175	1,302,173
	1,867,046	3,499,463

# MILITARY COMMUNITY YOUTH MINISTRIES

## Notes to Financial Statements

July 31, 2017 and 2016

8. RELATED PARTY TRANSACTIONS, continued:

	Year Ended July 31,	
	2017	2016
MCYM personnel expenses:		
Young Life	1,016,740	1,074,469
Youth for Christ	10,650	481,533
	1,027,390	1,556,002
	\$ 2,894,436	\$ 5,055,465
	July 31,	
	2017	2016
Accounts receivable:		
Young Life	\$ 13,300	\$ -
Accounts payable:		
Young Life	\$ 26,172	\$ 41,556
Youth for Christ	-	13,945
	\$ 26,172	\$ 55,501

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 \$61,943 and \$62,255 for the years ended July 31, 2017 and 2016, respectively.

MCYM also has one copier lease agreement, which matures in December 2019. Lease expense was \$3,249 for both years ended July 31, 2017 and 2016.

# MILITARY COMMUNITY YOUTH MINISTRIES

## Notes to Financial Statements

July 31, 2017 and 2016

9. LEASE COMMITMENTS, continued:

Future minimum lease payments are:

<u>Year Ending July 31,</u>	
2018	\$ 63,286
2019	37,680
2020	<u>347</u>
	<u>\$ 101,313</u>

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

## **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, 2017 and 2016, and our report thereon dated September 20, 2017, 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 20, 2017



# 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 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
Fess for Services	-	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
<b>Total Expenses</b>	<b>\$ 2,860,685</b>	<b>\$ 469,296</b>	<b>\$ 155,440</b>	<b>\$ 3,485,421</b>
Percentage of Total Expenses	82%	14%	4%	100%

# MILITARY COMMUNITY YOUTH MINISTRIES

## Schedules of Functional Expenses

	Year Ended July 31, 2016			
	Program Services	General and Administrative	Fundraising	Total
Personnel	\$ 4,718,044	\$ 367,988	\$ 12,300	\$ 5,098,332
Camp and service projects	384,754	-	-	384,754
Youth programs	283,512	-	-	283,512
Conferences and meetings	140,270	37,405	9,351	187,026
Office	70,490	45,483	7,574	123,547
Occupancy	39,159	43,510	4,351	87,020
Travel	59,518	7,440	7,440	74,398
Fees for service	-	32,094	-	32,094
Advertising and Promotion	11,124	5,562	13,917	30,603
Insurance	-	21,238	-	21,238
Fundraising/Special Events	-	-	20,396	20,396
Information technology	2,325	2,325	-	4,650
Depreciation	2,085	596	298	2,979
<b>Total Expenses</b>	<b>\$ 5,711,281</b>	<b>\$ 563,641</b>	<b>\$ 75,627</b>	<b>\$ 6,350,549</b>
Percentage of Total Expenses	90%	9%	1%	100%