



## MILITARY COMMUNITY YOUTH MINISTRIES

Financial Statements  
With Independent Auditors' Report

July 31, 2020 and 2019

# 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, 2020 and 2019, 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, 2020 and 2019, 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 21, 2020

# MILITARY COMMUNITY YOUTH MINISTRIES

## Statements of Financial Position

	July 31,	
	<u>2020</u>	<u>2019</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 1,544,480	\$ 1,468,356
Accounts receivable	4,500	5,527
Accounts receivable from related organizations	-	28,582
Pledges receivable–net	8,319	10,000
Prepaid expenses	17,361	44,192
	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 1,574,660</u>	<u>\$ 1,556,657</u>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 25,906	\$ 25,428
Accounts payable to related organizations	-	7,728
	<u>25,906</u>	<u>33,156</u>
<b>Net assets:</b>		
Without donor restrictions	1,302,448	980,939
With donor restrictions	246,306	542,562
	<u>1,548,754</u>	<u>1,523,501</u>
Total Liabilities and Net Assets	<u>\$ 1,574,660</u>	<u>\$ 1,556,657</u>

See notes to financial statements

# MILITARY COMMUNITY YOUTH MINISTRIES

## Statements of Activities

	Year Ended July 31,					
	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 816,229	\$ 76,838	\$ 893,067	\$ 476,571	\$ 432,964	909,535
Grant revenue	267,500	337,000	604,500	321,408	297,000	618,408
Camp and service project fees	24,731	-	24,731	187,033	-	187,033
Contributed services and facilities	1,689,217	-	1,689,217	1,579,647	-	1,579,647
Miscellaneous	(56,829)	-	(56,829)	56,459	-	56,459
<b>Total Support and Revenue</b>	<b>2,740,848</b>	<b>413,838</b>	<b>3,154,686</b>	<b>2,621,118</b>	<b>729,964</b>	<b>3,351,082</b>
<b>NET ASSETS RELEASED:</b>						
Purpose restrictions	633,374	(633,374)	-	580,286	(580,286)	-
Administrative assessments	67,700	(67,700)	-	90,750	(90,750)	-
Time restrictions	9,020	(9,020)	-	17,308	(17,308)	-
<b>Total Net Assets Released</b>	<b>710,094</b>	<b>(710,094)</b>	<b>-</b>	<b>688,344</b>	<b>(688,344)</b>	<b>-</b>
<b>EXPENSES:</b>						
International communities	1,353,082	-	1,353,082	1,434,701	-	1,434,701
Continental United States communities	706,000	-	706,000	831,349	-	831,349
Headquarters	1,070,351	-	1,070,351	1,154,115	-	1,154,115
<b>Total Expenses</b>	<b>3,129,433</b>	<b>-</b>	<b>3,129,433</b>	<b>3,420,165</b>	<b>-</b>	<b>3,420,165</b>
<b>Change in Net Assets</b>	<b>321,509</b>	<b>(296,256)</b>	<b>25,253</b>	<b>(110,703)</b>	<b>41,620</b>	<b>(69,083)</b>
<b>Net Assets, Beginning of Year</b>	<b>980,939</b>	<b>542,562</b>	<b>1,523,501</b>	<b>1,091,642</b>	<b>500,942</b>	<b>\$ 1,592,584</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,302,448</b>	<b>\$ 246,306</b>	<b>\$ 1,548,754</b>	<b>\$ 980,939</b>	<b>\$ 542,562</b>	<b>\$ 1,523,501</b>

See notes to financial statements

# MILITARY COMMUNITY YOUTH MINISTRIES

## Statement of Functional Expenses

	Year Ended July 31, 2020			
	Program Services	General and Administrative	Fundraising	Total
Personnel	\$ 2,360,543	\$ 228,603	\$ 71,779	\$ 2,660,925
Conferences and meetings	81,194	21,641	5,410	108,245
Facilities and meals	58,646	34,246	3,439	96,331
Office (including telephone/postage)	26,394	36,418	9,035	71,847
Events & club activities	49,581	-	9,392	58,973
Travel and transportation	43,145	4,141	4,141	51,427
Insurance	-	37,657	-	37,657
Fees for services	-	22,048	-	22,048
Advertising and promotion	8,058	4,029	4,029	16,116
Information technology	2,932	2,932	-	5,864
Total Expenses	\$ 2,630,493	\$ 391,715	\$ 107,225	\$ 3,129,433
Percentage of Total Expenses	84.1%	12.5%	3.4%	100%

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

## Statements of Cash Flows

	Year Ended July 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 25,253	\$ (69,083)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	-	576
Change in operating assets and liabilities:		
Accounts receivable	1,027	(4,677)
Accounts receivable from related organizations	28,582	(3,912)
Pledges receivable-net	1,681	7,308
Prepaid expenses	26,831	(37,117)
Accounts payable and accrued expenses	478	22,284
Accounts payable to related organizations	(7,728)	(38,021)
Net Cash Provided (Used) by Operating Activities	<u>76,124</u>	<u>(122,642)</u>
Cash and Cash Equivalents, Beginning of Year	<u>1,468,356</u>	<u>1,590,998</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,544,480</u>	<u>\$ 1,468,356</u>

See notes to financial statements

# MILITARY COMMUNITY YOUTH MINISTRIES

## Notes to Financial Statements

July 31, 2020 and 2019

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, 2020 and 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of checking and money market accounts at multiple financial institutions. As of July 31, 2020 and 2019, MCYM has cash and cash equivalents on deposit with financial institutions that exceed the federally insured (FDIC) balance by approximately \$783,000 and \$1,175,000, respectively. MCYM has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. In addition, MCYM has an account that is held in a foreign bank, and this account had a reconciled balance of approximately \$117,000 and \$42,000, as of July 31, 2020 and 2019, 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, 2020 and 2019 of \$6,192 and (\$1,823), respectively, are recorded within miscellaneous income on the statements of activities.

#### ACCOUNTS RECEIVABLE

As of July 31, 2020 and 2019, 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 \$0 and \$6,478 is recorded as of July 31, 2020 and 2019, respectively. Management's estimate of uncollectible amounts is 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.

As of July 31, 2020 and 2019, furniture and equipment held by MCYM, with a cost basis of \$34,040, was fully depreciated, resulting in a net book value of zero. Therefore, furniture and equipment was not included on the statements of financial position as of July 31, 2020 and 2019, and no depreciation expense was recorded for the year ended July 31, 2020.

#### 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.

# MILITARY COMMUNITY YOUTH MINISTRIES

## Notes to Financial Statements

July 31, 2020 and 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### CLASSES OF NET ASSETS, continued

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

#### 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.

During the year ended July 31, 2020, MCYM returned unused grant money previously recognized of approximately \$71,000, which is included in miscellaneous revenue on the statements of activities.

#### 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 estimate 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 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. MCYM adopted the provisions of this new standard during the year ended July 31, 2020. This new standard provides guidance on determining whether transactions should be accounted for as an exchange transaction or a contribution and whether a contribution should be recorded as conditional or unconditional. Adoption of this standard had no effect on change in net assets or net assets in total.

# MILITARY COMMUNITY YOUTH MINISTRIES

## Notes to Financial Statements

July 31, 2020 and 2019

### 3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects MCYM's financial assets as of July 31, 2020 and 2019. 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, 2020 and 2019.

	July 31,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 1,544,480	\$ 1,468,356
Accounts receivable	4,500	5,527
Accounts receivable from related organizations	-	28,582
Pledges receivable-net	8,319	10,000
Financial assets, at year-end:	<u>\$ 1,557,299</u>	<u>\$ 1,512,465</u>

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 a line of credit in the amount of \$100,000, which it could draw upon as needed. See further detail about the line of credit at Note 5.

### 4. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	July 31,	
	2020	2019
Rapid response	\$ 74,292	\$ 50,162
Campership	67,445	76,703
Other designations	48,134	28,384
START grants	48,116	332,280
Time restricted	8,319	10,000
Hero fund	-	45,033
	<u>\$ 246,306</u>	<u>\$ 542,562</u>

### 5. LINE OF CREDIT:

During the year ended July 31, 2020, MCYM renewed an unsecured line of credit with a related party in the amount of \$100,000, with an interest rate of 5%, maturing in September 2021. No draws were made on the lines of credit during the years ended July 31, 2020 and 2019.

# MILITARY COMMUNITY YOUTH MINISTRIES

## Notes to Financial Statements

July 31, 2020 and 2019

6. 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,	
	2020	2019
Program services	\$ 11,021	\$ 21,872
Supporting services:		
General and administrative	3,875	4,685
Fundraising	9,729	20,310
	<u>\$ 24,625</u>	<u>\$ 46,867</u>

7. CONTRIBUTED SERVICES AND FACILITIES:

Contributed services and facilities consist of:

	Year Ended July 31,	
	2020	2019
Support funds sent directly to Young Life (see Note 8)	\$ 1,683,600	\$ 1,574,030
Contributed rent	5,617	5,617
	<u>\$ 1,689,217</u>	<u>\$ 1,579,647</u>

# MILITARY COMMUNITY YOUTH MINISTRIES

## Notes to Financial Statements

July 31, 2020 and 2019

8. RELATED PARTY TRANSACTIONS:

Currently, all MCYM staff members are hired through Young Life. MCYM can hire 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,	
	2020	2019
Related party personnel expenses:		
Support funds raised through Young Life (approximately 59 and 47 individuals in 2020 and 2019, respectively)	\$ 1,683,600	\$ 1,574,030
MCYM personnel expenses to Young Life	977,321	1,097,383
	\$ 2,660,921	\$ 2,671,413
Board member contributions (raised through 18 and 21 individual board members in 2020 and 2019, respectively)	\$ 205,889	\$ 185,060
	July 31,	
	2020	2019
Young Life accounts receivable	\$ -	\$ 28,582
Young Life accounts payable	\$ -	\$ 7,728

9. 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 2022. Rent expense was \$63,166 for both years ended July 31, 2020 and 2019. Future minimum lease payments are:

Year Ending July 31,	
2021	\$ 63,166
2022	36,847
	\$ 100,013

# MILITARY COMMUNITY YOUTH MINISTRIES

## Notes to Financial Statements

July 31, 2020 and 2019

10. RISKS AND UNCERTAINTIES:

During the year ended July 31, 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of MCYM for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

11. SUBSEQUENT EVENTS:

Subsequent events were evaluated through September 21, 2020, which is the date the financial statements were available to be issued.