

**GRAND RAPIDS YOUTH FOR CHRIST, INC.
DBA WEST MICHIGAN
YOUTH FOR CHRIST, INC.**

FINANCIAL STATEMENTS

With Independent Auditor's Report

June 30, 2016



GRAND RAPIDS YOUTH FOR CHRIST, INC.
dba WEST MICHIGAN
YOUTH FOR CHRIST, INC.

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+ **INDEPENDENT AUDITOR'S REPORT**

Board of Directors
Grand Rapids Youth for Christ, Inc.
dba West Michigan Youth for Christ, Inc.
Grand Rapids, Michigan

REPORT ON THE FINANCIAL STATEMENTS

+ I have audited the accompanying statement of financial position of Grand Rapids Youth for Christ, Inc. DBA West Michigan Youth for Christ, Inc. (a nonprofit organization) as of June 30, 2016, the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

JAMES H. QUIST CPA PLC

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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Michigan Youth for Christ, Inc. as of June 30, 2016 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT, continued

EMPHASIS OF MATTER

The financial statements of Grand Rapids Youth for Christ, Inc. DBA West Michigan Youth for Christ, Inc. for the year ended June 30, 2015, before the restatement described in Note 7, were audited by another auditor whose report dated September 15, 2015, expressed an unmodified opinion on those statements.

A handwritten signature in blue ink that reads "James H. Quist". The signature is written in a cursive style with a large initial "J".

Wyoming, Michigan
September 28, 2016

GRAND RAPIDS YOUTH FOR CHRIST
DBA **WEST MICHIGAN YOUTH FOR CHRIST, INC.**

Statement of Financial Position

June 30, 2016

ASSETS	
Cash and cash equivalents	\$ 203,193
Prepaid expenses	49,512
Investments	<u>11,152</u>
	<u>263,857</u>
Property and equipment	
Office furniture and equipment	25,352
Vehicles	51,790
Accumulated depreciation	<u>(53,823)</u>
	<u>23,319</u>
Total Assets	<u><u>\$ 287,176</u></u>
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	\$ 7,460
Accrued payroll and payroll taxes	42,885
Deferred revenue	<u>14,684</u>
Total Liabilities	<u>65,029</u>
Net Assets	
Unrestricted	
Undesignated - Note 7	198,828
Net investment in property and equipment	<u>23,319</u>
Total Net Assets	<u>222,147</u>
Total Liabilities and Net Assets	<u><u>\$ 287,176</u></u>

See accompanying notes to financial statements

GRAND RAPIDS YOUTH FOR CHRIST
DBA **WEST MICHIGAN YOUTH FOR CHRIST, INC.**

Statement of Activities

For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions	\$ 1,093,349	\$ 92,185	\$ 1,185,534
Thrift store sales	61,102	-	61,102
Camp and activity fees, net of scholarships	27,196	-	27,196
Miscellaneous revenue	717	-	717
Loss on disposal of assets	(13,082)	-	(13,082)
Investment income	1,424	-	1,424
	<u>1,170,706</u>	<u>92,185</u>	<u>1,262,891</u>
RECLASSIFICATIONS			
Net assets released for satisfaction of purpose restrictions	92,185	(92,185)	-
	<u>92,185</u>	<u>(92,185)</u>	<u>-</u>
EXPENSES			
Program services	992,016	-	992,016
Management and general	219,300	-	219,300
Fund-raising	102,268	-	102,268
	<u>1,313,584</u>	<u>-</u>	<u>1,313,584</u>
Total Expenses	<u>1,313,584</u>	<u>-</u>	<u>1,313,584</u>
Change in Net Assets	<u>(50,693)</u>	<u>-</u>	<u>(50,693)</u>
Net Assets, Beginning of Year			
As previously reported	153,747	-	153,747
Prior year correction - Note 7	119,093	-	119,093
	<u>272,840</u>	<u>-</u>	<u>272,840</u>
Net Assets, End of Year	<u>\$ 222,147</u>	<u>\$ -</u>	<u>\$ 222,147</u>

See accompanying notes to financial statements

GRAND RAPIDS YOUTH FOR CHRIST
DBA WEST MICHIGAN YOUTH FOR CHRIST, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2016

	Program	Management and General	Fund-Raising	Total
Salaries and wages	\$ 568,868	\$ 133,328	\$ 44,555	\$ 746,751
Pension plan contributions	8,814	2,725	878	12,417
Other employee benefits	40,329	12,723	9,276	62,328
Payroll taxes	39,233	12,130	3,905	55,268
Advertising and promotion	5,856	-	15,154	21,010
Office expenses	14,885	28,279	18,551	61,715
Information technology	1,759	4,529	-	6,288
Occupancy	46,716	6,608	1,652	54,976
Travel	20,122	3,502	1,487	25,111
Conferences, conventions and meetings	9,617	15,306	6,768	31,691
Depreciation and amortization	11,064	-	-	11,064
Insurance	21,483	170	42	21,695
Program expenses	203,270	-	-	203,270
Total Expenses	<u>\$ 992,016</u>	<u>\$ 219,300</u>	<u>\$ 102,268</u>	<u>\$ 1,313,584</u>

See accompanying notes to financial statements

GRAND RAPIDS YOUTH FOR CHRIST
DBA **WEST MICHIGAN YOUTH FOR CHRIST, INC.**

Statement of Cash Flows

For the Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (50,693)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Contribution of marketable securities	(10,154)
Investment gains	(318)
Loss on sale or disposal of property and equipment	13,082
Depreciation and amortization	11,064
Change in:	
Prepaid expenses - Note 7	(6,029)
Accounts payable - Note 7	(8,508)
Accrued payroll and payroll taxes - Note 7	12,460
Deferred revenue - Note 7	704
	<hr/>
Net Cash Used by Operating Activities	(38,392)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of property and equipment	4,603
Purchases of property and equipment	(7,586)
	<hr/>
Net Cash Used by Investing Activities	(2,983)
	<hr/>
Change in Cash and Cash Equivalents	(41,375)
Cash and Cash Equivalents, Beginning of Year - Note 7	244,568
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Cash and Cash Equivalents, End of Year	\$ 203,193
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See accompanying notes to financial statements

GRAND RAPIDS YOUTH FOR CHRIST
DBA WEST MICHIGAN YOUTH FOR CHRIST, INC.

Notes to Financial Statements

June 30, 2016

1. NATURE OF ORGANIZATION

Grand Rapids Youth for Christ, Inc. DBA West Michigan Youth for Christ, Inc. (WMYFC) reaches young people everywhere, working together with the local church and other like-minded partners to raise up lifelong followers of Jesus who lead by their godliness in lifestyle, devotion to prayer and the Word of God, passion for sharing the love of Christ and commitment to social involvement.

WMYFC was incorporated in January 1968 under the laws of the state of Michigan to operate as a charitable organization within the meaning of Section 501(c)(3) of the Internal Revenue Code (code). It is exempt from federal and state income taxes, and contributions by the public are deductible within the limitations prescribed by the code. WMYFC has been classified as a public organization that is not a private foundation under Section 509(a) of the code.

WMYFC's revenues consist primarily of contributions from the public.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of WMYFC are prepared on the accrual basis of accounting. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from these estimates. The significant accounting policies that have been adopted by WMYFC are described below.

CASH AND CASH EQUIVALENTS

WMYFC considers all cash on deposit and highly liquid investments as cash and cash equivalents. While balances in these accounts may at times exceed federally insured limits, WMYFC has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on these accounts.

PREPAID EXPENSES

Prepaid expenses consist of trip, camp, and banquet expenses and other related goods and services which have been paid for prior to the end of the fiscal year and benefit the following fiscal year.

INVESTMENTS

Investments consists of cash equivalents and an equity mutual fund holding received as a contribution. All holdings are carried at fair value based on quoted prices in active markets where applicable and estimated market value when no ready market exists. For purposes of determining gross realized gains and losses, the cost of securities sold is based on specific identification. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Donated investments are reported at market value at the date of donation and thereafter carried in accordance with the above policies.

PROPERTY AND EQUIPMENT

Property and equipment is reported at cost, estimated cost or fair value. Expenditures for property and equipment in excess of \$1,000 and having an estimated useful life of three years or more are capitalized at cost when purchased. Donated items are reported at their estimated fair market values as of the date the gifts are received. Depreciation is reported using the straight-line method over the estimated useful lives of the assets, which range from three to forty years. Depreciation expense was \$11,064 for the year ended June 30, 2016.

GRAND RAPIDS YOUTH FOR CHRIST
DBA **WEST MICHIGAN YOUTH FOR CHRIST, INC.**

Notes to Financial Statements

June 30, 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued

DEFERRED REVENUE

Deferred revenue consists of payments received from campers for events occurring subsequent to June 30.

CLASSES OF NET ASSETS

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

UNRESTRICTED NET ASSETS are those currently available for program purposes under the direction of the board of directors, those designated by the board for a specific use, and those invested in furniture and equipment.

TEMPORARILY RESTRICTED NET ASSETS are those subject to donor-imposed stipulations that may or will be met either by actions of WMYFC or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

PERMANENTLY RESTRICTED NET ASSETS are those subject to donor-imposed stipulations to be maintained permanently by an organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes. To date, WMYFC has received no permanently restricted contributions.

SUPPORT AND REVENUE

Contributions are recognized when cash is received, unconditional promises to give are made or ownership of donated assets is transferred. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to legal restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statements of activities as net assets released from restrictions.

All other revenues are recorded when earned.

IN-KIND CONTRIBUTIONS

Contributions of assets other than cash are reported at their estimated fair value. WMYFC reports donations of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired or placed in service, and a reclassification is made from temporarily restricted net assets to unrestricted net assets at that time.

During the year ended June 30, 2016, approximately 153 unpaid volunteers contributed their time and talents to WMYFC. Most volunteers are involved with direct ministry to students and small groups. Others volunteer at the thrift store, assisting customers and processing donated merchandise. These services are not recognized as contributions in the statement of activities as they do not meet the necessary accounting criteria.

GRAND RAPIDS YOUTH FOR CHRIST
DBA WEST MICHIGAN YOUTH FOR CHRIST, INC.

Notes to Financial Statements

June 30, 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued

FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are reported as incurred. The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities that benefited from those expenditures.

ADVERTISING

WMYFC expenses advertising costs as they are incurred. Advertising costs for the year ended June 30, 2016 totaled \$5,520.

3. INVESTMENTS

Investments consist of the following:

	June 30, 2016		
	Fair Value	Carrying Value	Unrealized Gain (Loss)
Cash and cash equivalents	\$ 790	\$ 790	\$ -
Equity mutual funds	10,362	10,044	318
	\$ 11,152	\$ 10,834	\$ 318

WMYFC accounts for investments at fair value, which is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Financial accounting standards have established a hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Under the standards, three levels of inputs that may be used to measure fair value:

Level 1 - In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that WMYFC has the ability to access.

Level 2 - Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 - Level 3 inputs are unobservable inputs including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. WMYFC's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

GRAND RAPIDS YOUTH FOR CHRIST
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Notes to Financial Statements

June 30, 2016

3. INVESTMENTS, continued

Investments are held and managed by Horner Townsend & Kent, Inc. and include allocations to money funds, mutual funds and exchange traded products. Management has concluded that value of all holdings in the portfolio are determined using Level 1 measurement inputs.

Investment income for the year ended June 30, 2016 consists of the following:

Dividends and interest	\$ 1,014
Net unrealized gains	<u>318</u>
	1,332
Other bank interest	<u>92</u>
Total investment income	<u><u>\$ 1,424</u></u>

4. EMPLOYEE BENEFIT PLANS

WMYFC provides retirement benefits to its staff through a SIMPLE IRA retirement plan, matching employee contributions on a dollar for dollar basis up to 3 percent of employee compensation. Contributions to the plan during the year ended June 30, 2016 were \$12,417.

WMYFC paid \$44,362 during the year ended June 30, 2016 for employee group health insurance coverage.

5. LEASE

WMYFC signed an operating lease agreement for office space in November 2007. The agreement was for sixty months commencing January 1, 2008 and ending February 28, 2013, requiring monthly payments of \$1,200 for the first year and increasing 3 percent annually in January. This lease has continued on a year-to-year basis since February 28, 2013. Monthly payments during the year ended June 30, 2016 were \$1,498 from July 2015 through February 2016 and \$1,595 from March 2016 through June 2016. Total lease expense for the year ended June 30, 2016 was \$18,364. WMYFC must pay \$6,380 under this lease agreement during the year ending June 30, 2017.

6. CONCENTRATION

For the year ended June 30, 2016, the top five donors provided 17 percent of total contributions.

GRAND RAPIDS YOUTH FOR CHRIST
DBA WEST MICHIGAN YOUTH FOR CHRIST, INC.

Notes to Financial Statements

June 30, 2016

7. PRIOR YEAR CORRECTIONS

The financial statements as of and for the year ended June 30, 2015 have been retroactively restated to reflect the following corrections:

	<u>As Originally Reported</u>	<u>Correction</u>	<u>As Corrected</u>
Cash and cash equivalents	\$ 117,247	\$ 127,321	\$ 244,568
Prepaid expenses	\$ 4,633	38,850	\$ 43,483
Accounts payable	\$ (17,113)	1,145	\$ (15,968)
Accrued payroll and payroll taxes	\$ 3,818	(34,243)	\$ (30,425)
Deferred revenue	\$ -	(13,980)	\$ (13,980)
Cumulative effect of corrections on net assets		119,093	
Net assets at June 30, 2015			
As previously reported		<u>153,747</u>	
As corrected		<u>\$ 272,840</u>	

8. SUBSEQUENT EVENTS

Subsequent events were evaluated through September 28, 2016, which is the date the financial statements were available to be issued.