

YOUTH FOR CHRIST/CANADA
Non-Consolidated Financial Statements
December 31, 2018

YOUTH FOR CHRIST/CANADA
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Year Ended December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of Youth For Christ/Canada

Report on the Non-consolidated Financial Statements

Opinion

We have audited the non-consolidated financial statements of Youth For Christ/Canada (the "Organization"), which comprise the non-consolidated statement of financial position as at December 31, 2018, and the non-consolidated statements of changes in net assets, operations and cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

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Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Burnaby, British Columbia
April 30, 2019



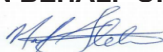
Chartered Professional Accountants


YOUTH FOR CHRIST/CANADA
Non-Consolidated Statement of Financial Position
December 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 394,666	\$ 417,058
Restricted cash	664,079	498,496
GST rebate and accounts receivable	49,342	43,085
Prepaid expenses	32,092	39,241
	<u>1,140,179</u>	997,880
RESTRICTED INVESTMENTS (Note 3)	501,274	473,099
CAPITAL ASSETS (Note 4)	419,532	423,405
	<u>\$ 2,060,985</u>	<u>\$ 1,894,384</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 56,525	\$ 151,922
Payable to government authorities - source deductions	-	18,560
Due to related parties	1,725	12,172
Deferred contributions (Note 8)	447,400	603,139
Deferred contributions related to capital assets (Note 10)	345,072	359,450
	<u>850,722</u>	1,145,243
NET ASSETS - page 4		
Unrestricted	492,310	380,685
Internally Restricted	717,953	368,456
	<u>1,210,263</u>	749,141
	<u>\$ 2,060,985</u>	<u>\$ 1,894,384</u>

TRUST ASSETS AND LIABILITIES (Note 5)

ON BEHALF OF THE BOARD


 _____ Director


 _____ Director

YOUTH FOR CHRIST/CANADA
Non-Consolidated Statement of Changes in Net Assets
Year Ended December 31, 2018

	Unrestricted	Internally Restricted	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ 380,685	\$ 368,456	\$ 749,141	\$ 585,884
Excess of revenue over expenses - page 5	461,122	-	461,122	127,707
Internal transfers (<i>Note 9</i>)	(349,497)	349,497	-	-
Contributions of non-depreciable asset	-	-	-	35,550
NET ASSETS - END OF YEAR - page 3	\$ 492,310	\$ 717,953	\$ 1,210,263	\$ 749,141

YOUTH FOR CHRIST/CANADA
Non-Consolidated Statement of Operations
Year Ended December 31, 2018

	2018	2017
REVENUE		
Contributions	\$ 4,584,519	\$ 3,401,215
Registrations, administration fees and other	254,343	246,939
Association dues	148,715	133,400
Recognition of deferred contribution related to capital assets	14,378	-
Investment income	5,389	3,291
	<u>5,007,344</u>	<u>3,784,845</u>
EXPENSES		
Ministries training and development	1,937,837	1,673,841
International	1,793,313	1,227,084
National operations	788,009	747,636
Amortization	27,063	8,577
	<u>4,546,222</u>	<u>3,657,138</u>
EXCESS OF REVENUE OVER EXPENSES - page 4	<u>\$ 461,122</u>	<u>\$ 127,707</u>

YOUTH FOR CHRIST/CANADA
Non-Consolidated Statement of Cash Flows
Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess of revenue over expenses - page 5	\$ 461,122	\$ 127,707
Items not affecting cash:		
Amortization	27,063	8,577
Unrealized loss on investments	-	1,525
Recognition of deferred contribution related to capital assets	<u>(14,378)</u>	<u>-</u>
	<u>473,807</u>	<u>137,809</u>
Changes in non-cash working capital:		
GST rebate and accounts receivable	(6,257)	(2,759)
Prepaid expenses	7,149	(31,743)
Accounts payable and accrued liabilities	(95,397)	(7,621)
Payable to government authorities - source deductions	(18,560)	(8,402)
Due to related parties	(10,447)	(37,470)
Deferred contributions	<u>(155,739)</u>	<u>(13,887)</u>
	<u>(279,251)</u>	<u>(101,882)</u>
Cash flow from operating activities	<u>194,556</u>	<u>35,927</u>
INVESTING ACTIVITIES		
Sale (purchase) of investments	(28,175)	69,097
Purchase of capital assets	<u>(23,190)</u>	<u>(32,422)</u>
Cash flow from (used by) investing activities	<u>(51,365)</u>	<u>36,675</u>
INCREASE IN CASH FLOW	143,191	72,602
Cash - beginning of year	<u>915,554</u>	<u>842,952</u>
CASH - END OF YEAR	\$ 1,058,745	\$ 915,554
CASH CONSISTS OF:		
Unrestricted cash	\$ 394,666	\$ 417,058
Internally restricted cash	216,679	-
Externally restricted cash	<u>447,400</u>	<u>498,496</u>
	<u>\$ 1,058,745</u>	<u>\$ 915,554</u>

See notes to non-consolidated financial statements

YOUTH FOR CHRIST/CANADA
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2018

1. DESCRIPTION OF OPERATIONS

Youth For Christ/Canada (the "Organization") is a national organization whose primary purpose is to reach young people in Canada, 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 the Word of God and prayer, passion for sharing the love of Christ and commitment to social involvement.

This is accomplished by the Organization's development of materials and resources, and the provision of training for staff of the various Youth for Christ Chapters across Canada enabling them to more effectively care for young people's physical, emotional and relational needs while communicating the life-changing message of Jesus Christ, always seeking to improve existing methods and to develop new ministry models. Human resource, information technology and general management consulting are also provided to the Chapters in Canada to assist in fulfilling this mission.

The Organization is incorporated under the Canada Not-for-Profit Corporations Act and is a registered charity under the Income Tax Act, and as such is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The non-consolidated financial statements were prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

The Organization does not prepare consolidated financial statements of its controlled organizations, Youth For Christ Foundation (*Note 6*) and Honeymoon Bay Lodge & Retreat Society (*Note 7*).

These statements do not report the financial results of the various Youth for Christ Chapters across Canada.

Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributor. Contributions externally restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis as the related capital assets' amortization.

Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Association dues, administration fees and other are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Registration fees are recognized as revenue when the related event is held.

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YOUTH FOR CHRIST/CANADA
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Cash and cash equivalents

The Organization classifies its investment instruments as cash equivalents if the investment is cashable and has a maturity term of three months or less. In addition, fixed income securities matching these characteristics are classified as cash equivalents only if they are intended to be held temporarily before use in operating activities. There are no cash equivalents held at year end.

Investments

Investments consist of fixed income bonds and equities as described in *Note 3*. The bonds either do not mature within the next fiscal year, or are intended to be held to maturity and reinvested. These investments have therefore been classified as long term assets.

Capital assets and amortization

Capital assets purchased are stated at cost less accumulated amortization. Amortization is provided on a straight line basis designed to amortize the assets over the estimated useful lives as follows:

Building	25 years
Bus	5 years
Computer equipment	3 years

Donated services and materials

Volunteers assist the Organization in carrying out its programs. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Contributed materials or gifts-in-kind are only recognized when their fair value is reasonably determinable and significant, with such items recorded at fair value on the date of the contribution. During the year the Organization received non-cash gifts-in-kind of \$29,546 (Publicly traded shares) (2017 - \$422,949 (Cape Breton property, publicly traded shares and furniture)).

Allocation of expenses

The Organization classifies some of its expenses by function, including its general support expenses. For general support expenses the Organization identifies the appropriate basis of allocating each component expense and applies that basis consistently each year.

General support is made up of salaries, communication and project management, information technology, and various project expenses relating to staff costs. The expenses are recorded in national operations and then allocated 50% to ministries training and development based on the estimated allocation of staff time.

See *Note 11* for the allocation amounts for the year.

Defined contribution plan

The Organization participates in a defined contribution RRSP plan through Manulife and is only responsible for matching contributions to a maximum of 3% of earnings. During the year, the Organization paid \$38,060 (2017 - \$28,376) related to matching employee contributions.

(*continues*)

YOUTH FOR CHRIST/CANADA
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. Material uncertainties involving management estimates include the determination of the allocation of general support expenses as disclosed in *Note 11* and the determination of useful lives of capital assets for the purposes of calculating amortization, specifically for the building.

3. RESTRICTED INVESTMENTS

	<u>2018</u>	<u>2017</u>
Fixed income bonds	\$ 501,274	\$ 465,779
Equities	-	7,320
	<u>\$ 501,274</u>	<u>\$ 473,099</u>

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	\$ 35,550	\$ -	\$ 35,550	\$ 35,550
Building	362,032	14,415	347,617	360,372
Bus	15,106	5,786	9,320	12,341
Computer equipment	64,314	37,269	27,045	15,142
	<u>\$ 477,002</u>	<u>\$ 57,470</u>	<u>\$ 419,532</u>	<u>\$ 423,405</u>

YOUTH FOR CHRIST/CANADA
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2018

5. TRUST ASSETS AND LIABILITIES

Trust assets and trust liabilities relate to the employee health care plan funds which represent cash contributed to the health care spending account by the employees of the national office and chapter offices to fund their medical expense reimbursement claims. The Organization collects and holds these funds from the employees and remits them to the health care provider as invoiced.

	<u>2018</u>	<u>2017</u>
Health care spending account	<u>\$ 69,110</u>	<u>\$ 54,170</u>
Cash held in trust	<u>\$ 64,110</u>	<u>\$ 38,425</u>
Deposit held with Manulife	<u>5,000</u>	<u>15,745</u>
	<u>\$ 69,110</u>	<u>\$ 54,170</u>

6. RELATED PARTY - YOUTH FOR CHRIST FOUNDATION

Youth for Christ Canada Foundation ("YFCC Foundation") is a controlled organization of the Organization. The board of directors of the Organization are the only members of YFCC Foundation, and as such elect the directors of YFCC Foundation. The purpose of YFCC Foundation is to receive and maintain a fund or funds and to apply all or part of the principal and income there from, from time to time, to the Organization or one of its affiliates that are registered charitable organizations.

YFCC Foundation follows the restricted fund method of accounting for contributions. The Operating Fund reports the assets, liabilities, revenue and expenses related to the administrative and program delivery activities of the foundation. The Restricted Fund reports the externally restricted assets, liabilities, revenue and expenses related to various programs and projects approved by the board of directors.

During the year the Organization made a \$7,000 donation, which has been included in National Operations on the Statement of Operations, to YFCC Foundation. These transactions are in the normal course of operations and are measured at the exchange amounts, which is the amount of considerations established and agreed to be the related parties.

Relevant financial information provided by YFCC Foundation is as follows:

	<u>2018</u>	<u>2017</u>
Total assets	<u>\$ 12,207</u>	<u>\$ 9,982</u>
Total liabilities	<u>-</u>	<u>-</u>
Unrestricted operating fund balance	<u>6,207</u>	<u>2,982</u>
Externally restricted fund balance	<u>6,000</u>	<u>7,000</u>
Revenue	<u>7,400</u>	<u>14,787</u>
Expenses	<u>5,175</u>	<u>16,698</u>
Cash flow from (used by) operating activities	<u>2,225</u>	<u>(1,775)</u>

YOUTH FOR CHRIST/CANADA
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2018

7. RELATED PARTY - HONEYMOON BAY LODGE & RETREAT SOCIETY AND TRANSACTIONS

Honeymoon Bay Lodge & Retreat Society (the "Society") is a controlled organization of the Organization. The Board of Directors of the Organization elect the directors of the Society. The purpose of the Society is to support Christian, missionary, staff and volunteers of religious charities including Youth for Christ/Canada, providing religious and educational programs on leadership, evangelism, youth ministry, and personal wellness.

During the year the Organization paid donations of \$222,100 and retreat fees of \$8,838 to the Society. These transactions are in the normal course of operations and are measured at the exchange amounts, which is the amount of considerations established and agreed to be the related parties.

Relevant financial information provided by the Society is as follows:

	<u>2018</u>	<u>2017</u>
Total assets	\$ 2,544,015	\$ 2,616,617
Total liabilities	51,610	40,137
Unrestricted fund balance	(5,707)	(163)
Internally restricted for capital assets	2,498,112	2,576,643
Revenue	478,289	525,940
Expenses	562,364	586,186
Cash flow from operating activities	8,049	33,100
Cash flow used by investing activities	(4,905)	(28,223)

8. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally designated contributions for various ministries and programs.

	National Ministry Initiatives	International Ministries	<u>2018</u>	<u>2017</u>
BALANCE - Beginning of year	\$ 428,044	\$ 175,095	\$ 603,139	\$ 617,026
Contributions received in year	483,976	977,784	1,461,760	1,009,178
Internal transfers to fund programs and deficits	11,772	9,827	21,599	100,214
Recognized as revenue	(641,068)	(998,030)	(1,639,098)	(1,123,279)
BALANCE - End of year	\$ 282,724	\$ 164,676	\$ 447,400	\$ 603,139

The internal transfers are used to fund deficits in the various restricted programs during the year and also to fund program costs. Any internal transfers used to fund program costs are spent first with the externally restricted contributions spent second. Any unspent internal transfers at year-end are transferred back to unrestricted net assets. As a result, the balance in deferred contributions at year-end consists only of externally restricted amounts.

YOUTH FOR CHRIST/CANADA
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2018

9. TRANSFERS AND INTERNAL RESTRICTIONS

During the year the board of directors internally restricted \$349,497 (2017 - \$60,070) for staff support. These amounts have been internally restricted for individual staff member salaries and wages with any remaining unapplied balances transferred to unrestricted net assets when a staff member leaves the Organization.

10. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Contributions externally restricted for the purchase of capital assets or repayment of related debt are deferred and amortized into revenue on the same basis as the related capital assets' amortization.

Opening balance	Restricted contributions received	Amount recognized as revenue	Closing balance
\$ 359,450	\$ -	\$ 14,378	\$ 345,072

11. ALLOCATION OF EXPENSES

National operations expenses of \$143,345 (2017 - 133,675) have been allocated to Ministries training and development as follows:

	<u>2018</u>	<u>2017</u>
Salaries	\$ 125,478	\$ 109,630
Expenses	<u>17,867</u>	<u>24,045</u>
	\$ 143,345	\$ 133,675

12. FINANCIAL INSTRUMENTS

All financial instruments are initially recorded at their fair market value. Publicly traded equity instruments quoted in an active market are subsequently measured at fair value with any unrealized gains or losses and transactions costs recognized in net excess of revenue over expenses. All other financial instruments are adjusted for any transaction costs incurred on acquisition and are subsequently measured at their amortized cost. Financial instrument impairments and impairment reversals are recognized when incurred in net excess of revenue over expenses.
