

YOUTH FOR CHRIST/CANADA
Non-Consolidated Financial Statements
December 31, 2019

YOUTH FOR CHRIST/CANADA
Index to Non-Consolidated Financial Statements
Year Ended December 31, 2019

| | Page |
|---|--------|
| INDEPENDENT AUDITOR'S REPORT | 1 - 2 |
| NON-CONSOLIDATED FINANCIAL STATEMENTS | |
| Non-Consolidated Statement of Financial Position | 3 |
| Non-Consolidated Statement of Changes in Net Assets | 4 |
| Non-Consolidated Statement of Operations | 5 |
| Non-Consolidated Statement of Cash Flows | 6 |
| Notes to Non-Consolidated Financial Statements | 7 - 12 |

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, 2019, 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 non-consolidated financial position of the Organization as at December 31, 2019, and the non-consolidated results of its operations and non-consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

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 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 these 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 ASNPO, 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 related 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
March 15, 2020



Chartered Professional Accountants

YOUTH FOR CHRIST/CANADA
Non-Consolidated Statement of Financial Position
December 31, 2019

| | 2019 | 2018 |
|---|---------------------|---------------------|
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 116,470 | \$ 394,666 |
| Restricted cash and cash equivalents | 829,141 | 664,079 |
| Accounts receivable | 48,585 | 16,059 |
| Recoverable from government authorities - GST/HST | 31,972 | 33,283 |
| Prepaid expenses and deposits | 109,010 | 32,092 |
| | <u>1,135,178</u> | 1,140,179 |
| RESTRICTED INVESTMENTS | 356,277 | 501,274 |
| CAPITAL ASSETS (Note 3) | 400,322 | 419,532 |
| | <u>\$ 1,891,777</u> | <u>\$ 2,060,985</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 68,155 | \$ 56,525 |
| Due to related parties | - | 1,725 |
| Deferred contributions (Note 4) | 664,520 | 447,400 |
| Deferred contributions related to capital assets (Note 5) | 330,694 | 345,072 |
| | <u>1,063,369</u> | 850,722 |
| NET ASSETS - page 4 | | |
| Unrestricted | 307,510 | 492,310 |
| Internally restricted | 520,898 | 717,953 |
| | <u>828,408</u> | 1,210,263 |
| | <u>\$ 1,891,777</u> | <u>\$ 2,060,985</u> |

TRUST ASSETS AND LIABILITIES (Note 10)

COMMITMENTS (Note 11)

ON BEHALF OF THE BOARD

 Director
 Director

YOUTH FOR CHRIST/CANADA
Non-Consolidated Statement of Changes in Net Assets
Year Ended December 31, 2019

| | Unrestricted | Internally Restricted | 2019 | 2018 |
|---|-------------------|--------------------------|---------------------|---------------------|
| NET ASSETS - BEGINNING OF YEAR | \$ 492,310 | \$ 717,953 | \$ 1,210,263 | \$ 749,141 |
| Excess (deficiency) of revenue over expenses - page 5 | (381,855) | - | (381,855) | 461,122 |
| Internal transfers (<i>Note 8</i>) | 197,055 | (197,055) | - | - |
| NET ASSETS - END OF YEAR - page 3 | \$ 307,510 | \$ 520,898 | \$ 828,408 | \$ 1,210,263 |

YOUTH FOR CHRIST/CANADA
Non-Consolidated Statement of Operations
Year Ended December 31, 2019

| | 2019 | 2018 <i>(Note 13)</i> |
|--|---------------------|--------------------------|
| REVENUE | | |
| Contributions | \$ 4,234,819 | \$ 4,639,387 |
| Registrations, administration fees and other | 318,422 | 199,475 |
| Association dues | 139,740 | 148,715 |
| Investment income | 21,242 | 5,389 |
| Recognition of deferred contribution related to capital assets | 14,378 | 14,378 |
| | <u>4,728,601</u> | <u>5,007,344</u> |
| EXPENSES | | |
| Salaries and benefits | 2,585,983 | 2,067,487 |
| International ministry | 715,021 | 824,196 |
| Travel, meals and accomodations | 425,895 | 426,130 |
| Charitable donations | 358,616 | 339,604 |
| National events and training - travel, meals and accomodations | 286,181 | 54,805 |
| External services and consulting | 234,901 | 242,238 |
| Office and administration | 203,466 | 198,953 |
| General ministry programs | 99,124 | 126,268 |
| National events and training - program | 50,432 | 96,879 |
| Marketing and promotion | 46,895 | 37,683 |
| Conference and seminar | 44,304 | 40,557 |
| Staff development | 37,764 | 28,060 |
| Professional fees | 21,874 | 63,362 |
| | <u>5,110,456</u> | <u>4,546,222</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES - page 4 | <u>\$ (381,855)</u> | <u>\$ 461,122</u> |

YOUTH FOR CHRIST/CANADA
Non-Consolidated Statement of Cash Flows
Year Ended December 31, 2019

| | 2019 | 2018 |
|--|-------------------|---------------------|
| OPERATING ACTIVITIES | | |
| Excess (deficiency) of revenue over expenses - page 5 | \$ (381,855) | \$ 461,122 |
| Items not affecting cash: | | |
| Recognition of deferred contribution related to capital assets | (14,378) | (14,378) |
| Loss on disposal of capital assets | 745 | - |
| Amortization | 32,612 | 27,063 |
| | <u>(362,876)</u> | <u>473,807</u> |
| Changes in non-cash working capital: | | |
| Accounts receivable | (32,526) | (3,321) |
| Recoverable from government authorities - GST/HST | 1,311 | (2,936) |
| Prepaid expenses and deposits | (76,918) | 7,149 |
| Accounts payable and accrued liabilities | 11,630 | (95,397) |
| Due to related parties | (1,725) | (10,447) |
| Deferred contributions | 217,120 | (155,739) |
| Payable to government authorities - source deductions | - | (18,560) |
| | <u>118,892</u> | <u>(279,251)</u> |
| Cash flow from (used by) operating activities | <u>(243,984)</u> | <u>194,556</u> |
| INVESTING ACTIVITIES | | |
| Purchase of capital assets | (14,147) | (23,190) |
| Redemption (purchase) of investments | 144,997 | (28,175) |
| Cash flow from (used by) investing activities | <u>130,850</u> | <u>(51,365)</u> |
| INCREASE (DECREASE) IN CASH FLOW | (113,134) | 143,191 |
| Cash and cash equivalents - beginning of year | <u>1,058,745</u> | <u>915,554</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 945,611 | \$ 1,058,745 |
| CASH AND CASH EQUIVALENTS CONSIST OF: | | |
| Unrestricted cash | \$ 116,470 | \$ 394,666 |
| Internally restricted cash | 164,621 | 216,679 |
| Externally restricted cash equivalents - investment savings | 35,108 | - |
| Externally restricted cash | <u>629,412</u> | <u>447,400</u> |
| | <u>\$ 945,611</u> | <u>\$ 1,058,745</u> |

See notes to financial statements

YOUTH FOR CHRIST/CANADA
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2019

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 or repayment of related debt 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, 2019

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.

Investments

Investments consist of fixed income securities that either do not mature within the next fiscal year, or are intended to be held to maturity and reinvested and as such have been classified as long term assets on the non-consolidated Statement of Financial Position. The fixed income investments have interest rates of 1.91% to 2.17% (2018 – 1.25% to 3.04%) and varying maturity dates to July 2023.

Capital assets and amortization

Capital assets purchased are stated at cost less accumulated amortization. Capital assets contributed are recorded at the fair value as of the date of receipt. 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 |

In accordance with Handbook Section 4433 Tangible Capital Assets Held by Not-for-Profit Organizations, the Organization has changed its accounting policy with respect to capital assets, specifically adopting componentization whereby significant, separable component parts are allocated when practicable. Due to the nature and composition of the Organization's capital assets, no adjustments were required to the current or prior years' figures.

Contributed 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 \$32,357 (Publicly traded shares) (2018 - \$29,546 (Publicly traded shares)).

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 \$52,319 (2018 - \$38,060) related to matching employee contributions.

(*continues*)

YOUTH FOR CHRIST/CANADA
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2019

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 useful lives of capital assets for the purposes of calculating amortization, specifically for the building.

3. CAPITAL ASSETS

| | Cost | Accumulated amortization | 2019 Net book value | 2018 Net book value |
|--------------------|-------------------|-----------------------------|---------------------------|---------------------------|
| Land | \$ 35,550 | \$ - | \$ 35,550 | \$ 35,550 |
| Building | 362,032 | 28,830 | 333,202 | 347,617 |
| Bus | 15,106 | 8,807 | 6,299 | 9,320 |
| Computer equipment | 73,792 | 48,521 | 25,271 | 27,045 |
| | <u>\$ 486,480</u> | <u>\$ 86,158</u> | <u>\$ 400,322</u> | <u>\$ 419,532</u> |

4. DEFERRED CONTRIBUTIONS

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

| | National Ministry Initiatives | International Ministries | 2019 | 2018 |
|---|-------------------------------------|-----------------------------|-------------------|-------------------|
| BALANCE - Beginning of year | \$ 282,724 | \$ 164,676 | \$ 447,400 | \$ 603,139 |
| Contributions received in the year | 642,544 | 911,887 | 1,554,431 | 1,461,760 |
| Internal transfers to fund programs and deficits | 142,563 | (17,609) | 124,954 | 21,599 |
| Recognized as revenue | (592,692) | (869,573) | (1,462,265) | (1,639,098) |
| BALANCE - End of year | <u>\$ 475,139</u> | <u>\$ 189,381</u> | <u>\$ 664,520</u> | <u>\$ 447,400</u> |

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, 2019

5. 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 |
|--------------------|---|------------------------------------|----------------------------|
| \$ 345,072 | \$ - | \$ 14,378 | \$ 330,694 |

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 no donations (2018 - \$7,000) 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 by the related parties.

Relevant financial information provided by YFCC Foundation is as follows:

| | 2019 | 2018 |
|---|-------------------|-------------|
| Total assets | \$ 293,698 | \$ 12,207 |
| Total liabilities | - | - |
| Unrestricted operating fund balance | 2,950 | 6,207 |
| Externally restricted fund balance | 290,748 | 6,000 |
| Revenue | 286,767 | 7,400 |
| Expenses | 5,276 | 5,175 |
| Cash flow from (used by) operating activities | 281,471 | 2,225 |

YOUTH FOR CHRIST/CANADA
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2019

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 made donations of \$169,404 (2018 - \$222,100) and paid retreat fees of \$47,487 (2018 - \$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 by the related parties.

Relevant financial information provided by the Society is as follows:

| | <u>2019</u> | <u>2018</u> |
|--|--------------|--------------|
| Total assets | \$ 2,450,340 | \$ 2,544,015 |
| Total liabilities | 54,786 | 51,610 |
| Unrestricted fund balance | (23,989) | (5,707) |
| Internally restricted for capital assets | 2,419,543 | 2,498,112 |
| Revenue | 525,262 | 478,289 |
| Expenses | 622,113 | 562,364 |
| Cash flow from operating activities | (9,215) | 8,049 |
| Cash flow used by investing activities | (2,600) | (4,905) |

8. INTERNAL TRANSFERS

During the year the board of directors unrestricted \$197,055 (2018 - restricted \$349,497) for staff support. These amounts were originally 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.

9. EXPENSES BY AREA/DEPARTMENT

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Global engagement and international ministries | \$ 1,770,553 | \$ 1,861,146 |
| National operations and admin | 1,621,701 | 1,444,088 |
| National programs and events | 371,397 | 231,972 |
| People development | 422,169 | 358,420 |
| Chapter development | 263,617 | 113,911 |
| Affiliate ministries | 472,293 | 429,681 |
| Canadian charter chapter support | 188,726 | 107,004 |
| | <u>\$ 5,110,456</u> | <u>\$ 4,546,222</u> |

YOUTH FOR CHRIST/CANADA
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2019

10. 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>2019</u> | <u>2018</u> |
|------------------------------|-------------------|------------------|
| Health care spending account | <u>\$ 102,040</u> | <u>\$ 69,110</u> |
| Cash held in trust | <u>\$ 95,990</u> | <u>\$ 64,110</u> |
| Deposit held with Manulife | <u>6,050</u> | <u>5,000</u> |
| | <u>\$ 102,040</u> | <u>\$ 69,110</u> |

11. COMMITMENTS

The Organization has entered into a contract with respect to its rebranding efforts, the total of which is \$97,410. As at December 31, 2019 approximately \$66,680 of the contracted costs were paid leaving a net contractual obligation outstanding of \$30,730.

Subsequent to year-end, the Organization entered into an additional contract with respect to its rebranding efforts totaling \$68,530.

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.

13. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation. Specifically, the expense and revenue groupings have been changed to match the new presentation format of the non-consolidated Statement of Operations.
