

**YOUTH FOR CHRIST/CANADA**  
**Non-Consolidated Financial Statements**  
**December 31, 2017**

**YOUTH FOR CHRIST/CANADA**  
**Index to Non-Consolidated Financial Statements**  
**Year Ended December 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Youth For Christ/Canada

We have audited the accompanying non-consolidated financial statements of Youth For Christ/Canada, which comprise the non-consolidated statement of financial position as at December 31, 2017 and the non-consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Non-consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated 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 non-consolidated 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(continues)

Independent Auditor's Report to the Members of Youth For Christ/Canada *(continued)*

*Opinion*

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of Youth For Christ/Canada as at December 31, 2017 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.

Burnaby, British Columbia  
March 26, 2018



Chartered Professional Accountants

**YOUTH FOR CHRIST/CANADA**  
**Non-Consolidated Statement of Financial Position**  
**December 31, 2017**

	2017	2016
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 417,058	\$ 461,262
Restricted cash (Note 3)	498,496	381,690
Accounts receivable	12,738	11,381
Recoverable from government authorities - GST/HST	30,347	28,945
Prepaid expenses	39,241	7,498
	<u>997,880</u>	890,776
RESTRICTED INVESTMENTS (Notes 3, 4)	473,099	543,722
CAPITAL ASSETS (Note 6)	423,405	4,561
	<u>\$ 1,894,384</u>	<u>\$ 1,439,059</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 151,922	\$ 159,545
Payable to government authorities - source deductions	18,560	26,962
Due to related parties (Note 10)	12,172	49,642
Deferred contributions (Note 11)	603,139	617,026
Deferred contributions related to capital assets (Note 13)	359,450	-
	<u>1,145,243</u>	853,175
NET ASSETS - page 4		
Unrestricted	380,685	277,498
Internally restricted	368,456	308,386
	<u>749,141</u>	585,884
	<u>\$ 1,894,384</u>	<u>\$ 1,439,059</u>

TRUST ASSETS AND LIABILITIES (Note 7)

**ON BEHALF OF THE BOARD**

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

See notes to non-consolidated financial statements

**YOUTH FOR CHRIST/CANADA**  
**Non-Consolidated Statement of Changes in Net Assets**  
**Year Ended December 31, 2017**

	Unrestricted	Internally Restricted	2017	2016
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 277,498	\$ 308,386	\$ <b>585,884</b>	\$ 514,488
Excess of revenue over expenses for the year - page 5	127,707	-	<b>127,707</b>	71,396
Transfers and internal restrictions ( <i>Note 12</i> )	(60,070)	60,070	-	-
Contributions of non-depreciable asset ( <i>Note 13</i> )	35,550	-	<b>35,550</b>	-
<b>NET ASSETS - END OF YEAR - page 3</b>	\$ 380,685	\$ 368,456	\$ <b>749,141</b>	\$ 585,884

**YOUTH FOR CHRIST/CANADA**  
**Non-Consolidated Statement of Operations**  
**Year Ended December 31, 2017**

	2017	2016 (Note 14)
<b>REVENUE</b>		
Contributions	\$ 3,401,215	\$ 2,671,875
Registrations, administration fees and other	246,939	223,998
Association dues	133,400	133,171
Investment income (loss) (Note 5)	3,291	(34,356)
	<u>3,784,845</u>	<u>2,994,688</u>
<b>EXPENSES</b>		
Ministries training and development	1,673,841	1,229,158
International	1,227,084	971,448
National operations	747,636	716,658
Amortization	8,577	6,028
	<u>3,657,138</u>	<u>2,923,292</u>
<b>EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR</b>		
- page 4	<u>\$ 127,707</u>	<u>\$ 71,396</u>

**YOUTH FOR CHRIST/CANADA**  
**Non-Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2017**

	2017	2016
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses for the year - page 5	\$ 127,707	\$ 71,396
Items not affecting cash:		
Amortization	8,577	6,028
Loss on disposal of capital assets	-	651
Unrealized (gains) losses on investments	1,525	(61,800)
	<u>137,809</u>	<u>16,275</u>
Changes in non-cash working capital:		
Accounts receivable	(1,357)	(796)
Recoverable from government authorities - GST/HST	(1,402)	(4,472)
Inventory	-	1,040
Prepaid expenses	(31,743)	17,819
Accounts payable and accrued liabilities	(7,621)	72,472
Payable to government authorities - source deductions	(8,402)	16,211
Due to related parties	(37,470)	49,642
Deferred contributions	(13,887)	(21,358)
	<u>(101,882)</u>	<u>130,558</u>
Cash flow from operating activities	<u>35,927</u>	<u>146,833</u>
<b>INVESTING ACTIVITIES</b>		
Sale of investments	69,097	115,822
Purchase of capital assets	(32,422)	(2,645)
Cash flow from investing activities	<u>36,675</u>	<u>113,177</u>
<b>INCREASE IN CASH FLOW</b>	<b>72,602</b>	<b>260,010</b>
Cash - beginning of year	<u>842,952</u>	<u>582,942</u>
<b>CASH - END OF YEAR</b>	<b>\$ 915,554</b>	<b>\$ 842,952</b>
<b>CASH CONSISTS OF:</b>		
Cash	\$ 417,058	\$ 461,262
Restricted cash	<u>498,496</u>	<u>381,690</u>
	<u>\$ 915,554</u>	<u>\$ 842,952</u>

See notes to non-consolidated financial statements



**YOUTH FOR CHRIST/CANADA**  
**Notes to Non-Consolidated Financial Statements**  
**Year Ended December 31, 2017**

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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.

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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 8*) and Honeymoon Bay Lodge & Retreat Society (*Note 9*).

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.

Internally restricted amounts are authorized by the board of directors and must be used for the purposes designated by the board.

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.

Investment income is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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**YOUTH FOR CHRIST/CANADA**  
**Notes to Non-Consolidated Financial Statements**  
**Year Ended December 31, 2017**

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

Investments

Investments consist of fixed income bonds and equities as described in *Note 4*. 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 \$422,949 (Cape Breton Property, publicly traded shares and furniture) (2016 - \$25,360 (publicly traded shares and airline points)).

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 allocated proportionately as 50% to national operations and 50% to ministries training and development based on the estimated allocation of staff time.

See *Note 15* for the allocation amounts for the year.

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 revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. 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 15*.

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**YOUTH FOR CHRIST/CANADA**  
**Notes to Non-Consolidated Financial Statements**  
**Year Ended December 31, 2017**

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

Defined contribution plan

The Organization participates in a defined contributions RRSP plan through Manulife and is only responsible for matching contributions to a maximum of 3% of earnings. During the year, the Organization paid \$28,376 (2016 - \$21,012) related to matching employee contributions.

3. RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments represent cash and investments held for deferred contributions and internally restricted amounts as follows:

	<u>2017</u>	<u>2016</u>
Held for:		
Deferred contributions	\$ 603,139	\$ 617,026
Internally restricted	<u>368,456</u>	<u>308,386</u>
	<u>\$ 971,595</u>	<u>\$ 925,412</u>
Presented as:		
Restricted cash	\$ 498,496	\$ 381,690
Restricted investments	<u>473,099</u>	<u>543,722</u>
	<u>\$ 971,595</u>	<u>\$ 925,412</u>

4. INVESTMENTS

	<u>2017</u>	<u>2016</u>
Fixed income bonds	\$ 465,779	\$ 398,642
Equities	7,320	-
Exchange-traded funds	-	145,080
	<u>\$ 473,099</u>	<u>\$ 543,722</u>

5. INVESTMENT INCOME

	<u>2017</u>	<u>2016</u>
Interest	\$ 14,043	\$ 10,818
Unrealized gains (losses)	(1,525)	61,800
Realized losses	<u>(9,227)</u>	<u>(106,974)</u>
	<u>\$ 3,291</u>	<u>\$ (34,356)</u>

**YOUTH FOR CHRIST/CANADA**  
**Notes to Non-Consolidated Financial Statements**  
**Year Ended December 31, 2017**

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	\$ 35,550	\$ -	\$ 35,550	\$ -
Building	360,372	-	360,372	-
Bus	15,106	2,765	12,341	-
Computer equipment	42,784	27,642	15,142	4,561
	<u>\$ 453,812</u>	<u>\$ 30,407</u>	<u>\$ 423,405</u>	<u>\$ 4,561</u>

Amortization was not taken during the year on the building as the donation was made at the end of the year and the building was not yet in use.

7. 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.

	2017	2016
Health care spending account	<u>\$ 54,170</u>	<u>\$ 78,968</u>
Cash held in trust	\$ 38,425	\$ 63,223
Deposit held with Manulife	15,745	15,745
	<u>\$ 54,170</u>	<u>\$ 78,968</u>

**YOUTH FOR CHRIST/CANADA**  
**Notes to Non-Consolidated Financial Statements**  
**Year Ended December 31, 2017**

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8. 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, revenues and expenses related to the administrative and program delivery activities of the foundation. The Restricted Fund reports the externally restricted assets, liabilities, revenues and expenses related to various programs and projects approved by the board of directors.

Relevant December 31, 2017 financial information provided by YFCC Foundation is as follows:

	<u>2017</u>	<u>2016</u>
Total assets	\$ 9,982	\$ 11,893
Total liabilities	-	-
Unrestricted operating fund balance	2,982	3,893
Externally restricted fund balance	7,000	8,000
Revenue	14,787	476
Expenses	16,698	5,038
Cash flow used by operating activities	(1,775)	(4,404)

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9. RELATED PARTY - HONEYMOON BAY LODGE & RETREAT SOCIETY

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.

Relevant December 31, 2017 financial information provided by the Society is as follows:

	<u>2017</u>	<u>2016</u>
Total assets	\$ 2,510,785	\$ 2,583,285
Total liabilities	40,137	31,673
Unrestricted fund balance	(163)	3,789
Internally restricted for capital assets fund balance	2,470,811	2,547,823
Revenue	525,940	676,883
Expenses	606,904	659,325
Cash flow from operating activities	33,100	98,556
Cash flow used by investing activities	(28,223)	(110,888)

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10. RELATED PARTIES

<u>2017</u>	<u>2016</u>
	(continues)

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**YOUTH FOR CHRIST/CANADA**  
**Notes to Non-Consolidated Financial Statements**  
**Year Ended December 31, 2017**

10. RELATED PARTIES *(continued)*

	<u>2017</u>	<u>2016</u>
Dabre Inc. <i>(Corporation owned by an officer of the Organization)</i>		
Accounting services	\$ 56,579	\$ 49,524
Rent expense	<u>24,600</u>	<u>24,600</u>
	<u>\$ 81,179</u>	<u>\$ 74,124</u>
Silent Partner Software <i>(Corporation owned by Dabre Inc.)</i>		
Software development	\$ 40,000	\$ 43,800
Monthly support	<u>7,266</u>	<u>7,569</u>
	<u>\$ 47,266</u>	<u>\$ 51,369</u>
Honeymoon Bay Lodge & Retreat Society <i>(Controlled by Organization)</i>		
National operations	<u>\$ 267,548</u>	<u>\$ 180,985</u>

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Current portion due to related parties		
Dabre Inc.	\$ 12,087	\$ 5,040
Silent Partner Software	<u>85</u>	<u>44,602</u>
	<u>\$ 12,172</u>	<u>\$ 49,642</u>

Amount owing to related parties are due according to normal trade payable terms.

**YOUTH FOR CHRIST/CANADA**  
**Notes to Non-Consolidated Financial Statements**  
**Year Ended December 31, 2017**

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11. DEFERRED CONTRIBUTIONS

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

	National Ministry Initiatives	International Ministries	2017	2016
BALANCE - Beginning of year	\$ 402,338	\$ 214,688	\$ <b>617,026</b>	\$ 638,384
Contributions received in year	466,040	543,138	<b>1,009,178</b>	608,483
Internal transfers to fund programs and deficits	60,778	39,436	<b>100,214</b>	134,453
Recognized as revenue	(501,112)	(622,167)	<b>(1,123,279)</b>	(764,294)
BALANCE - End of year	<u>\$ 428,044</u>	<u>\$ 175,095</u>	<u>\$ <b>603,139</b></u>	<u>\$ 617,026</u>

The internal transfers are used to fund deficits in the various restricted funds 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.

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12. TRANSFERS AND INTERNAL RESTRICTIONS

During the year the board of directors internally restricted \$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.

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13. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

During the year the Organization received a gift of land and building appraised at \$395,000. The donation of the land valued at \$35,550 is recognized as a change in the net assets and the donation of the building valued at \$395,000 is to be recognized at the same rate as the amortization of the building. Since the gift was at the end of the year and the building is not in use, there is no amortization or recognition of the donation.

Deferred contributions related to capital assets	<u><b>\$ 359,450</b></u>
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14. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation. Specifically, the investment revenue and expense activities are all presented within the revenue section of the Statement of Operations instead of amongst revenue and expenses separately.

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**YOUTH FOR CHRIST/CANADA**  
**Notes to Non-Consolidated Financial Statements**  
**Year Ended December 31, 2017**

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15. ALLOCATION OF EXPENSES

National operations expenses of \$133,675 (2016 - 130,207) have been allocated to Ministries training and development as follows:

	<u>2017</u>	<u>2016</u>
Salaries	\$ 109,630	\$ 105,965
Expenses	<u>24,045</u>	<u>24,242</u>
	<u>\$ 133,675</u>	<u>\$ 130,207</u>

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16. 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.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Organization is exposed to credit risk for its investments. Exposures to credit risk and significant changes to the risk exposure from the prior year are as follows:

- Investments consist of publicly traded fixed interest debt securities issued by large corporations and financial fund companies. The diversity of the Organization's portfolio has decreased from the prior year, resulting in an increase in credit risk exposure.

Concentrations of credit risk include:

- The majority of the investments are held and managed by one investment broker and are insured by the Canadian Investor Protection Fund up to a maximum of \$1,000,000. As the total investments do not exceed the limit, the Organization is exposed to low risk should any financial difficulties be encountered by the broker.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Organization is exposed to interest rate risk for its investments. Exposures to interest rate risk and significant changes to the risk exposure from the prior year are as follows:

- Investments consist of publicly traded fixed interest debt securities. Some of these investments are tied to interest rates that can vary depending on the composition of the funds, which could affect future interest revenue.
-