

YOUTH FOR CHRIST/CANADA
Non-Consolidated Financial Statements
December 31, 2016

YOUTH FOR CHRIST/CANADA
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Year Ended December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

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, 2016 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 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.

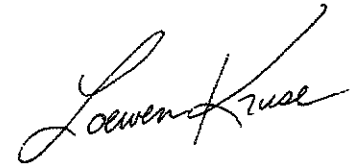
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Independent Auditor's Report to the Members of Youth For Christ/Canada *(continued)*

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, 2016 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
April 5, 2017





Chartered Professional Accountants

YOUTH FOR CHRIST/CANADA
Non-Consolidated Statement of Financial Position
December 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash	\$ 461,262	\$ 320,310
Restricted cash (Note 3)	381,690	262,632
Restricted investments (Note 3)	-	395,032
Accounts receivable	11,381	10,585
Recoverable from government authorities - GST/HST	28,945	24,473
Inventory	-	1,040
Prepaid expenses	7,498	25,317
	<u>890,776</u>	<u>1,039,389</u>
RESTRICTED INVESTMENTS (Note 3)	543,722	202,712
CAPITAL ASSETS (Note 5)	4,561	8,595
	<u>\$ 1,439,059</u>	<u>\$ 1,250,696</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 159,545	\$ 87,073
Payable to government authorities - payroll source deductions	26,962	10,751
Due to related parties (Note 9)	49,642	-
Deferred contributions (Note 10)	617,026	638,384
	<u>853,175</u>	<u>736,208</u>
NET ASSETS - PAGE 5		
Unrestricted	277,498	292,496
Internally restricted (Note 11)	308,386	221,992
	<u>585,884</u>	<u>514,488</u>
	<u>\$ 1,439,059</u>	<u>\$ 1,250,696</u>

TRUST ASSETS AND LIABILITIES (Note 6)

ON BEHALF OF THE BOARD


 _____ Director

 _____ Director

YOUTH FOR CHRIST/CANADA
Non-Consolidated Statement of Operations
Year Ended December 31, 2016

	2016	2015
REVENUE		
Contributions	\$ 2,671,875	\$ 2,265,087
Registrations, administration fees and other	234,816	204,431
Association dues	133,171	130,724
	<u>3,039,862</u>	<u>2,600,242</u>
EXPENSES		
Ministries training and development	1,229,262	864,183
International	971,448	920,812
National operations	716,554	566,862
Investment (income) loss	106,974	(3,189)
Amortization	6,028	9,094
Unrealized (gain) loss on investments	(61,800)	68,265
	<u>2,968,466</u>	<u>2,426,027</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR		
- page 5	<u>\$ 71,396</u>	<u>\$ 174,215</u>

YOUTH FOR CHRIST/CANADA
Non-Consolidated Statement of Changes in Net Assets
Year Ended December 31, 2016

	Unrestricted	Internally Restricted	2016	2015
NET ASSETS - BEGINNING OF YEAR	\$ 292,496	\$ 221,992	\$ 514,488	\$ 340,273
Excess (deficiency) of revenue over expenses for the year - page 4	105,529	(34,133)	71,396	174,215
Interfund transfers (<i>Note 11</i>)	(120,527)	120,527	-	-
NET ASSETS - END OF YEAR - page 3	\$ 277,498	\$ 308,386	\$ 585,884	\$ 514,488

YOUTH FOR CHRIST/CANADA
Non-Consolidated Statement of Cash Flows
Year Ended December 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year - page 4	\$ 71,396	\$ 174,215
Items not affecting cash:		
Amortization	6,028	9,094
Loss on disposal of capital assets	651	381
Unrealized gain (loss) on investments	(61,800)	68,265
	<u>16,275</u>	<u>251,955</u>
Changes in non-cash working capital:		
Accounts receivable	(796)	753
Recoverable from government authorities - GST/HST	(4,472)	2,936
Inventory	1,040	(1,040)
Prepaid expenses	17,819	(14,409)
Accounts payable and accrued liabilities	72,472	(36,205)
Payable to government authorities - payroll source deductions	16,211	2,377
Due to related parties	49,642	-
Deferred contributions	(21,358)	407,412
	<u>130,558</u>	<u>361,824</u>
Cash flow from operating activities	<u>146,833</u>	<u>613,779</u>
INVESTING ACTIVITIES		
Sale (purchase) of investments	115,822	(421,737)
Purchase of capital assets	(2,645)	(7,613)
Cash flow from (used by) investing activities	<u>113,177</u>	<u>(429,350)</u>
INCREASE IN CASH FLOW	260,010	184,429
Cash - beginning of year	<u>582,942</u>	<u>398,513</u>
CASH - END OF YEAR	<u>842,952</u>	<u>582,942</u>
CASH CONSISTS OF:		
Cash	\$ 461,262	\$ 320,309
Restricted cash	<u>381,690</u>	<u>262,633</u>
	<u>\$ 842,952</u>	<u>\$ 582,942</u>

See notes to non-consolidated financial statements

YOUTH FOR CHRIST/CANADA
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2016

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

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.

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.

Investments

Investments consist of fixed income bonds and exchange-traded funds 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.

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YOUTH FOR CHRIST/CANADA
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2016

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

Capital assets and amortization

Capital assets purchased are stated at cost less accumulated amortization. Capital assets contributed / gifts-in-kind 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:

Computer equipment	3 years
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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 \$25,360 (publicly traded shares and airline points) (2015 - \$536,023 (publicly traded shares)).

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 \$21,012 (2015 - \$17,314) 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 funds as follows:

	<u>2016</u>	<u>2015</u>
Held for:		
Deferred contributions	\$ 617,026	\$ 638,384
Internally restricted funds	<u>308,386</u>	<u>221,992</u>
	<u>\$ 925,412</u>	<u>\$ 860,376</u>
Presented as:		
Restricted cash	\$ 381,690	\$ 262,632
Restricted investments	-	<u>395,032</u>
Subtotal current:	<u>381,690</u>	657,664
Restricted investments	<u>543,722</u>	<u>202,712</u>
	<u>\$ 925,412</u>	<u>\$ 860,376</u>

YOUTH FOR CHRIST/CANADA
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2016

4. INVESTMENTS

	<u>2016</u>	<u>2015</u>
Fixed income bonds	\$ 398,642	\$ 81,545
Exchange-traded funds	145,080	121,167
Equities/common shares	-	395,032
	<u>\$ 543,722</u>	<u>\$ 597,744</u>

5. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>2016 Net book value</u>	<u>2015 Net book value</u>
Computer equipment	\$ 35,439	\$ 30,878	\$ 4,561	\$ 8,595

6. 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>2016</u>	<u>2015</u>
Health care spending account	\$ 78,968	\$ 68,848
Cash held in trust	\$ 63,223	\$ 68,848
Deposit held with Manulife	15,745	-
	<u>\$ 78,968</u>	<u>\$ 68,848</u>

YOUTH FOR CHRIST/CANADA
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2016

7. 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 therefrom, from time to time, to the Organization or one of its affiliates that are registered charitable organizations.

The 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, 2016 financial information provided by YFCC Foundation is as follows:

	<u>2016</u>	<u>2015</u>
Total Assets	\$ 11,893	\$ 16,455
Total Liabilities	-	-
Unrestricted operating fund balance	3,893	7,455
Externally restricted fund balance	8,000	9,000
Revenue	476	-
Expenses	5,038	4,245
Cash flow from operating activities	(4,404)	(4,557)

8. 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, providing religious and educational programs on leadership, evangelism, youth ministry, and personal wellness.

Relevant December 31, 2016 financial information provided by the Society is as follows:

	<u>2016</u>	<u>2015</u>
Total Assets	\$ 2,583,285	\$ 2,568,849
Total Liabilities	31,673	34,795
Unrestricted fund balance	3,789	11,767
Internally restricted for capital assets fund balance	2,547,823	2,522,287
Revenue	676,883	561,474
Expenses	659,325	683,187
Cash flow from operating activities	98,556	16,825
Cash flow used by investing activities	(110,888)	(11,896)

YOUTH FOR CHRIST/CANADA
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2016

9. RELATED PARTY TRANSACTIONS

	<u>2016</u>	<u>2015</u>
Dabre Inc. (Corporation owned by an officer of the Organization)		
Accounting services	\$ 49,524	\$ -
Rent expense	<u>24,600</u>	<u>24,600</u>
	<u>\$ 74,124</u>	<u>\$ 24,600</u>
Silent Partner Software (Corporation owned by Dabre Inc.)		
Software development	\$ 43,800	\$ -
Monthly support	<u>7,569</u>	<u>-</u>
	<u>\$ 51,369</u>	<u>\$ -</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		
Silent Partner Software	\$ 44,602	\$ -
Dabre Inc.	<u>5,040</u>	<u>-</u>
	<u>\$ 49,642</u>	<u>\$ -</u>

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

10. DEFERRED CONTRIBUTIONS

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

	National Ministry Initiatives	International Ministries	<u>2016</u>	<u>2015</u>
BALANCE - Beginning of year	\$ 480,472	\$ 157,912	\$ 638,384	\$ 268,245
Contributions received in year	137,353	471,130	608,483	1,106,827
Internal transfers to fund programs and deficits	106,991	27,462	134,453	223,300
Recognized as revenue	<u>(322,478)</u>	<u>(441,816)</u>	<u>(764,294)</u>	<u>(959,988)</u>
BALANCE - End of year	<u>\$ 402,338</u>	<u>\$ 214,688</u>	<u>\$ 617,026</u>	<u>\$ 638,384</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.

YOUTH FOR CHRIST/CANADA
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2016

11. TRANSFERS AND INTERNAL RESTRICTIONS

During the year the board of directors internally restricted \$120,527 (2015 - \$87,378) for the internally restricted staff funds.

Internally restricted funds are amounts that have been internally restricted for individual staff member salaries and wages with any remaining unapplied balances transferred to the General Fund when a staff member leaves the Organization.

YOUTH FOR CHRIST/CANADA
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2016

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.

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 and exchange traded funds issued by large corporations and financial fund companies. The diversity of the Organization's portfolio has decreased from the prior year, resulting in a 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 and exchange traded funds. 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.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the open market.

- The Organization is exposed to market risk for its investments as the fair value can be significantly affected by price and valuation changes in the open market.
-