

YOUTH FOR CHRIST/CANADA
Non-Consolidated Financial Statements
December 31, 2015

YOUTH FOR CHRIST/CANADA
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Year Ended December 31, 2015

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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, 2015 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.

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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, 2015 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 21, 2016



Chartered Professional Accountants

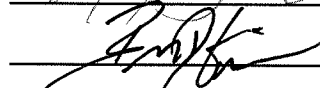
YOUTH FOR CHRIST/CANADA
Non-Consolidated Statement of Financial Position
December 31, 2015

	2015	2014
ASSETS		
CURRENT		
Cash	\$ 283,037	\$ 239,926
Restricted cash	299,905	158,587
Restricted investments (Note 4)	395,032	-
Accounts receivable	10,585	11,338
Recoverable from government authorities - GST/HST	24,473	27,409
Inventory	1,040	-
Prepaid expenses	25,317	10,908
	<u>1,039,389</u>	448,168
RESTRICTED INVESTMENTS (Note 4)	202,712	244,272
CAPITAL ASSETS (Note 5)	8,595	10,457
	<u>\$ 1,250,696</u>	<u>\$ 702,897</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 87,073	\$ 123,278
Payable to government authorities - payroll source deductions	10,751	8,374
Deferred contributions (Note 9)	675,657	268,245
	<u>773,481</u>	399,897
NET ASSETS - page 5		
Unrestricted	255,223	168,386
Internally restricted (Note 10)	221,992	134,614
	<u>477,215</u>	303,000
	<u>\$ 1,250,696</u>	<u>\$ 702,897</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, 2015

	2015	2014
REVENUE		
Contributions	\$ 2,265,087	\$ 2,018,467
Registrations, administration fees and other	201,153	209,498
Association dues	130,724	128,865
Unrealized loss on investments	(61,798)	(227)
	<u>2,535,166</u>	<u>2,356,603</u>
EXPENSES		
International	920,812	844,181
Ministries training and development	878,329	921,642
National operations	552,716	525,483
Amortization of capital assets	9,094	10,099
	<u>2,360,951</u>	<u>2,301,405</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR		
- page 5	<u>\$ 174,215</u>	<u>\$ 55,198</u>

YOUTH FOR CHRIST/CANADA
Non-Consolidated Statement of Changes in Net Assets
Year Ended December 31, 2015

	Unrestricted	Internally Restricted	2015	2014
BALANCE - BEGINNING OF YEAR	\$ 168,386	\$ 134,614	\$ 303,000	\$ 247,802
Excess of revenue over expenses for the year - page 4	174,215	-	174,215	55,198
Internal transfers (<i>Note 10</i>)	(87,378)	87,378	-	-
BALANCE - END OF YEAR - page 3	\$ 255,223	\$ 221,992	\$ 477,215	\$ 303,000

YOUTH FOR CHRIST/CANADA
Non-Consolidated Statement of Cash Flows
Year Ended December 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year - page 4	\$ 174,215	\$ 55,198
Items not affecting cash:		
Amortization of capital assets	9,094	10,099
Loss on disposal of investments	381	1,237
	<u>183,690</u>	<u>66,534</u>
Changes in non-cash working capital:		
Accounts receivable	753	(1,103)
Recoverable from government authorities - GST/HST	2,936	(1,455)
Inventory	(1,040)	-
Prepaid expenses	(14,409)	(3,781)
Accounts payable and accrued liabilities	(36,205)	(18,879)
Payable to government authorities - payroll source deductions	2,377	(1,527)
Deferred contributions	407,412	73,448
	<u>361,824</u>	<u>46,703</u>
Cash flow from operating activities	<u>545,514</u>	113,237
INVESTING ACTIVITIES		
Decrease (increase) in investments	(353,472)	126,232
Purchase of capital assets	(7,613)	(7,851)
Cash flow from (used by) investing activities	<u>(361,085)</u>	118,381
INCREASE IN CASH FLOW	184,429	231,618
CASH - beginning of year	<u>398,513</u>	<u>166,895</u>
CASH - END OF YEAR	<u>582,942</u>	<u>398,513</u>
CASH CONSISTS OF:		
Cash	\$ 283,037	\$ 239,926
Restricted cash	<u>299,905</u>	<u>158,587</u>
	<u>\$ 582,942</u>	<u>\$ 398,513</u>

See notes to financial statements

YOUTH FOR CHRIST/CANADA
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2015

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 organization, Youth For Christ Foundation (*Note 7*).

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 (and other income such as association dues, registrations, administration fees and other) are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investments

Investments consist of fixed income bonds, exchange-traded funds, money market investments and mutual 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 except for public company shares of \$395,032, which were received as a donation close to year end, (2014 - \$Nil) and which are intended to be cashed in and have been classified as current.

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YOUTH FOR CHRIST/CANADA
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2015

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 \$536,023 (publicly traded shares) (2014 - \$107,642 (publicly traded shares and supplies)).

Defined Contribution Plan

The Organization participates in a defined contributions RRSP plan through Standard Life and is only responsible for matching contributions to a maximum of 3% of earnings. During the year, the Organization paid \$17,314 (2014 - \$16,340) 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>2015</u>	<u>2014</u>
Held for:		
Deferred contributions	\$ 675,657	\$ 268,245
Internally restricted funds	221,992	134,614
	<u>\$ 897,649</u>	<u>\$ 402,859</u>
Presented as:		
Restricted cash	\$ 299,905	\$ 158,587
Restricted investments	395,032	-
Subtotal current:	694,937	158,587
Restricted investments	202,712	244,272
	<u>\$ 897,649</u>	<u>\$ 402,859</u>

YOUTH FOR CHRIST/CANADA
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2015

4. INVESTMENTS

	<u>2015</u>	<u>2014</u>
Equities/Common shares	\$ 395,032	\$ -
Exchange-traded funds	121,167	114,804
Fixed income bonds	81,545	42,380
Mutual funds	-	86,648
Cash	-	440
	<u>\$ 597,744</u>	<u>\$ 244,272</u>

The fixed income bonds have interest rates from 2.650% to 3.049% (2014 - 2.000% to 3.150%) and varying maturity dates from November 2016 to January 2017. The exchange-traded funds have no stated interest rates or maturity values and are invested in fixed income bonds.

5. CAPITAL ASSETS

	Cost	Accumulated amortization	<u>2015 Net book value</u>	<u>2014 Net book value</u>
Computer equipment	\$ 38,557	\$ 29,962	<u>\$ 8,595</u>	<u>\$ 10,457</u>

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>2015</u>	<u>2014</u>
Health care spending account	<u>\$ 68,848</u>	<u>\$ 72,600</u>
Cash held in trust	\$ 68,848	\$ 8,226
Investments held in trust	-	64,374
	<u>\$ 68,848</u>	<u>\$ 72,600</u>

YOUTH FOR CHRIST/CANADA
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2015

7. RELATED PARTY

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.

Relevant December 31, 2015 financial information provided by YFCC Foundation is as follows:

	<u>2015</u>	<u>2014</u>
Total Assets	\$ 16,455	\$ 20,700
Total Liabilities	-	-
Net Assets	16,455	20,700
Revenue	-	32,435
Expenses	4,245	11,735

8. RELATED PARTY TRANSACTIONS

	<u>2015</u>	<u>2014</u>
Dabre Inc. <i>(Corporation owned by an officer of the Organization)</i>		
Rent expense	<u>\$ 24,600</u>	<u>\$ 24,600</u>
YFC Foundation <i>(Controlled by the Organization)</i>		
Donation expenses	\$ -	\$ 4,000
Donation revenue	-	(1,150)
	<u>\$ -</u>	<u>\$ 2,850</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.

As at December 31, 2015 the amount owing from related parties is \$762 (2014 - \$6,782 owing to) and are due according to normal trade payable terms and have therefore been included as part of the accounts payable and accrued liabilities.

YOUTH FOR CHRIST/CANADA
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2015

9. DEFERRED CONTRIBUTIONS

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

	National Ministry Initiatives	International Ministries	2015	2014
BALANCE - Beginning of year	\$ 55,156	\$ 213,089	\$ 268,245	\$ 194,797
Contributions received in year	641,392	465,435	1,106,827	755,274
Internal transfers to fund programs and deficits	211,150	12,150	223,300	152,711
Recognized as revenue	(391,474)	(531,241)	(922,715)	(834,537)
BALANCE - End of year	<u>\$ 516,224</u>	<u>\$ 159,433</u>	<u>\$ 675,657</u>	<u>\$ 268,245</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.

10. TRANSFERS AND INTERNAL RESTRICTIONS

During the year the board of directors internally restricted \$87,378 (2014 - \$4,895) of the excess of revenue over expenses to 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, 2015

11. 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, equities/common shares and exchange traded funds issued by large corporations and financial fund companies. The diversity of the Organization's portfolio has increased from the prior year, resulting in a decrease 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, equities/common shares and exchange traded funds issued by large corporations and financial fund companies. Some of the 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.
-