

YOUTH FOR CHRIST/CANADA

Financial Statements

December 31, 2013

YOUTH FOR CHRIST/CANADA

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Year Ended December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the members of Youth for Christ/Canada

Report on the Financial Statements

We have audited the accompanying financial statements of Youth for Christ/Canada, which comprise the statement of financial position as at December 31, 2013, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with Canadian audit standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Youth for Christ/Canada as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Burnaby, British Columbia
April 5, 2014



Chartered Accountants

YOUTH FOR CHRIST/CANADA
Statement of Financial Position
December 31, 2013

	2013	2012
ASSETS		
CURRENT		
Cash	\$ 166,895	\$ 117,070
Accounts receivable	10,235	8,252
Recoverable from government authorities - GST/HST	25,954	22,096
Prepaid expenses	7,127	6,371
	<u>210,211</u>	<u>153,789</u>
INVESTMENTS (Note 3)	370,504	290,990
CAPITAL ASSETS (Note 4)	<u>13,943</u>	<u>22,428</u>
	<u>\$ 594,658</u>	<u>\$ 467,207</u>
TRUST ASSETS (Note 5)	<u>\$ 87,564</u>	<u>\$ 91,193</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 142,158	\$ 144,987
Payable to government authorities - source deductions	9,901	7,636
Deferred contributions (Note 6)	194,797	156,633
	<u>346,856</u>	<u>309,256</u>
NET ASSETS - page 5		
Unrestricted	118,083	110,246
Internally restricted	<u>129,719</u>	<u>47,705</u>
	<u>247,802</u>	<u>157,951</u>
	<u>\$ 594,658</u>	<u>\$ 467,207</u>
TRUST LIABILITIES (Note 5)	<u>\$ 87,564</u>	<u>\$ 91,193</u>

ON BEHALF OF THE BOARD:

 _____ Director

 _____ Director

YOUTH FOR CHRIST/CANADA

Statement of Operations

Year Ended December 31, 2013

	2013	2012
REVENUE		
Contributions	\$ 1,878,681	\$ 1,577,554
Registrations, administration fees and other	205,272	217,568
Association dues	121,705	100,000
	<u>2,205,658</u>	<u>1,895,122</u>
EXPENSES		
Ministries training and development	902,804	714,809
International	813,890	858,400
National operations	383,440	301,496
Amortization of capital assets	15,673	13,264
	<u>2,115,807</u>	<u>1,887,969</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR - PAGE 5	<u>\$ 89,851</u>	<u>\$ 7,153</u>

YOUTH FOR CHRIST/CANADA
Statement of Changes in Net Assets
Year Ended December 31, 2013

	Unrestricted	Internally Restricted <i>(Note 7)</i>	2013	2012
BALANCE - Beginning of year	\$ 110,246	\$ 47,705	\$ 157,951	\$ 150,798
Excess of revenue over expenses for the year - page 4	89,851	-	89,851	7,153
Internal restrictions <i>(Note 7)</i>	(82,014)	82,014	-	-
BALANCE - End of year - page 3	\$ 118,083	\$ 129,719	\$ 247,802	\$ 157,951

YOUTH FOR CHRIST/CANADA

Statement of Cash Flows

Year Ended December 31, 2013

	2013	2012
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year - page 4	\$ 89,851	\$ 7,153
Item not affecting cash:		
Amortization of capital assets	15,673	13,264
	<u>105,524</u>	<u>20,417</u>
Changes in non-cash working capital:		
Accounts receivable	(1,983)	(2,053)
Recoverable from government authorities - GST/HST	(3,858)	(2,728)
Prepaid expenses	(756)	(2,289)
Accounts payable and accrued liabilities	(2,829)	39,198
Payable to government authorities - source deductions	2,265	882
Deferred contributions	38,164	(29,962)
	<u>31,003</u>	<u>3,048</u>
Cash flow from operating activities	<u>136,527</u>	<u>23,465</u>
INVESTING ACTIVITIES		
Purchase of investments	(79,514)	(95,048)
Purchase of capital assets	(7,188)	(13,298)
Cash flow used by investing activities	<u>(86,702)</u>	<u>(108,346)</u>
NET INCREASE (DECREASE) IN CASH FLOW	49,825	(84,881)
CASH - Beginning of year	<u>117,070</u>	<u>201,951</u>
CASH - End of year	<u>\$ 166,895</u>	<u>\$ 117,070</u>

YOUTH FOR CHRIST/CANADA

Notes to Financial Statements

Year Ended December 31, 2013

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 Corporations Act as a not-for-profit organization and is a registered charity under the *Income Tax Act*, and as such is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared by management in accordance with Canadian accounting standards for non-profit organizations.

Revenue Recognition

The Organization follows the deferral method of accounting for contributions.

Externally and internally 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. Internally restricted amounts are used for purposes designated by the board of directors.

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 3. The bonds either do not mature within the next fiscal year, or are intended to be held to maturity and reinvested. The cash and mutual funds are intended to be held for the long term. These investments have been classified as long term assets.

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YOUTH FOR CHRIST/CANADA

Notes to Financial Statements

Year Ended December 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets and Amortization

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization is provided for on a straight-line basis over the estimated useful life of the asset as follows:

Computer equipment	3 years
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Contributed Goods and Services

Volunteers contribute their time throughout the year to assist the Organization in carrying out its organizational activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

During the year the Organization received non-cash gifts of \$177,782 (publically traded shares and supplies) (2012 - \$154,320). These gifts were valued at the fair market value of the gift on the dates of the exchange.

Defined Contributions Plan

The Organization participates in a defined contributions RRSP plan through Standard Life and is only responsible for matching contributions to a maximum of 2% of earnings. During the year, the Organization paid \$11,895 (2012 - \$9,252) related to matching employee contributions.

3. INVESTMENTS

	2013 Net book value	2012 Net book value
Fixed income bonds	\$ 220,985	\$ 234,858
Exchange-traded funds	114,250	-
Money market investments	30,090	-
Mutual funds	5,179	55,390
Cash	-	742
	\$ 370,504	\$ 290,990

The fixed income bonds have interest rates from 2.00% to 3.00% (2012 - 1.00% to 3.00%) and varying maturity dates from February 2014 to November 2016. The mutual funds and exchange-traded funds have no stated interest rates or maturity values and are invested in fixed income bonds.

YOUTH FOR CHRIST/CANADA

Notes to Financial Statements

Year Ended December 31, 2013

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2013 Net book value	2012 Net book value
Computer equipment	\$ 51,598	\$ 37,655	\$ 13,943	\$ 22,428

5. TRUST ASSETS/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.

6. DEFERRED CONTRIBUTIONS

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

	National Ministry Initiatives	International Ministries	2013	2012
BALANCE - Beginning of year	\$ 54,427	\$ 102,206	\$ 156,633	\$ 186,595
Contributions received in year	255,872	496,537	752,409	661,221
Internal transfers in regards to shared costs and to fund deficits	146,037	33,920	179,957	150,525
Recognized as revenue	(405,620)	(488,582)	(894,202)	(841,708)
BALANCE - End of year	\$ 50,716	\$ 144,081	\$ 194,797	\$ 156,633

YOUTH FOR CHRIST/CANADA

Notes to Financial Statements

Year Ended December 31, 2013

7. TRANSFERS AND INTERNAL RESTRICTIONS

During the year the board of directors internally allocated \$82,014 (2012 - \$22,934) of the excess of revenue over expenses to the internally restricted staff funds.

8. FINANCIAL INSTRUMENTS

All financial instruments are initially recorded at their fair value, less significant associated transaction costs. Subsequently, publically traded equity investments and all publically traded fixed income securities are measured at their fair value. All loans and receivables are subsequently measured at their amortized cost using the effective interest method, while all other financial instruments are subsequently measured at their fair value. Any unrealized gains or losses associated with subsequent measurement are recognized immediately 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 publically traded fixed interest debt securities issued by large corporations and financial institutions and mutual funds and are held through one investment broker. 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:

All the investments are held and managed by one investment broker and are not covered by the Canadian Deposit Insurance. Therefore any financial difficulties encountered by the broker or unfavorable investment decisions could adversely affect the collectability and valuation of the investments.

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 publically traded fixed interest debt securities issued by large corporations and financial institutions and mutual funds. The fixed interest debt is tied to set interest rates, minimizing the risk of significant reductions to interest revenue.

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YOUTH FOR CHRIST/CANADA

Notes to Financial Statements

Year Ended December 31, 2013

8. FINANCIAL INSTRUMENTS - continued

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 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. The majority of investments are actively managed by a professional broker and concentrated in low risk fixed income securities and mutual funds, which serves to reduce the overall market risk although the decreased diversity could result in larger losses if Canadian markets are subject to significant price devaluation versus other markets.
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