

YOUTH FOR CHRIST/CANADA

Financial Statements

December 31, 2010

YOUTH FOR CHRIST/CANADA

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Year Ended December 31, 2010

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INDEPENDENT AUDITOR'S REPORT

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, 2010, 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 generally accepted accounting principles, 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 auditing 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 qualified audit opinion.

Comparative Figures

The comparative figures were not audited using Canadian auditing standards, and were instead audited using Canadian generally accepted auditing standards in effect at that time.

Basis for Qualified Opinion

In common with many charitable organizations, the entity derives most of its revenue from donations and various programs, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our work in respect of this revenue was limited to accounting for the amounts recorded in the accounts of the organization, and we were not able to determine whether any adjustments might be necessary to donation revenue, excess (deficiency) of revenues over expenditures for the year, assets and net assets.


Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Youth for Christ/Canada as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the Canada Corporation 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 28, 2011


Chartered Accountants

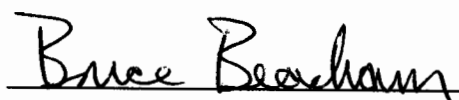
YOUTH FOR CHRIST/CANADA


Statement of Financial Position

December 31, 2010

	2010	2009
ASSETS		
CURRENT		
Cash	\$ 164,692	\$ 57,783
Accounts receivable	-	1,227
Recoverable from government authorities	8,579	2,471
Prepaid expenses	750	700
	<u>174,021</u>	62,181
INVESTMENTS (Note 2)	210,348	149,981
CAPITAL ASSETS (Note 3)	<u>4,135</u>	802
	<u>\$ 388,504</u>	<u>\$ 212,964</u>
TRUST ASSETS (Note 4)	<u>\$ 103,664</u>	<u>\$ 91,328</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 77,731	\$ 61,275
Deferred contributions (Note 5)	161,199	52,337
	<u>238,930</u>	113,612
NET ASSETS – page 5		
Internally restricted (Note 6)	89,541	86,028
Unrestricted	<u>60,033</u>	13,324
	<u>149,574</u>	99,352
	<u>\$ 388,504</u>	<u>\$ 212,964</u>
TRUST LIABILITIES (Note 4)	<u>\$ 103,664</u>	<u>\$ 91,328</u>

ON BEHALF OF THE BOARD:

 Director

 Director

YOUTH FOR CHRIST/CANADA

Statement of Operations

Year Ended December 31, 2010

	2010	2009
REVENUE		
Contributions	\$ 983,009	\$ 1,012,659
Registrations, administration fees and other	152,939	118,229
Association dues	92,695	73,623
	<u>1,228,643</u>	<u>1,204,511</u>
EXPENDITURES		
International	583,566	744,532
Ministries training and development	330,766	250,732
National operations	262,498	213,013
Amortization of capital assets	1,591	2,250
	<u>1,178,421</u>	<u>1,210,527</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR – PAGE 5	<u>\$ 50,222</u>	<u>\$ (6,016)</u>

YOUTH FOR CHRIST/CANADA
Statement of Changes in Net Assets
Year Ended December 31, 2010

	Internally Restricted <i>(Note 6)</i>	Unrestricted	2010	2009
BALANCE – Beginning of year	\$ 86,028	\$ 13,324	\$ 99,352	\$ 105,368
Excess (deficiency) of revenue over expenditures for the year – page 4	3,513	46,709	50,222	(6,016)
BALANCE – End of year – page 3	\$ 89,541	\$ 60,033	\$ 149,574	\$ 99,352

YOUTH FOR CHRIST/CANADA

Statement of Cash Flows

Year Ended December 31, 2010

	2010	2009
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures for the year – page 4	\$ 50,222	\$ (6,016)
Item not affecting cash:		
Amortization of capital assets	1,591	2,250
	<u>51,813</u>	<u>(3,766)</u>
Changes in non-cash working capital:		
Accounts receivable	1,227	(1,138)
Recoverable from government authorities	(6,108)	-
Prepaid expenses	(50)	-
Accounts payable and accrued liabilities	16,456	13,482
Deferred contributions	108,862	(1,423)
	<u>120,387</u>	<u>10,921</u>
Cash flow from operating activities	<u>172,200</u>	<u>7,155</u>
INVESTING ACTIVITIES		
Increase in investments	(60,367)	(26,220)
Purchase of capital assets	(4,924)	-
Cash flow used by investing activities	<u>(65,291)</u>	<u>(26,220)</u>
NET INCREASE (DECREASE) IN CASH FLOW	106,909	(19,065)
CASH – Beginning of year	<u>57,783</u>	<u>76,848</u>
CASH – End of year	\$ 164,692	\$ 57,783

YOUTH FOR CHRIST/CANADA

Notes to Financial Statements

Year Ended December 31, 2010

1. DESCRIPTION OF OPERATIONS

Youth for Christ/Canada 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Youth for Christ/Canada follows the deferral method of accounting for contributions. Externally and internally restricted contributions are recognized as revenue in the year in which the related expenditures 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 dues and conference fees are recognized as revenue in the year received.

Investments

Investments, which consist primarily of fixed income bonds with maturity dates beyond three months are classified as held for trading and carried at fair market value.

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:

Furniture and office equipment	5 years
Computer equipment	3 years

continued...

YOUTH FOR CHRIST/CANADA

Notes to Financial Statements

Year Ended December 31, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 expenditures during the period. Such estimates include providing for accrued liabilities and amortization over the estimated useful life of the capital assets. Actual results could differ from these estimates.

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 \$78,666 (publicly traded shares). These gifts were valued at the fair market value of the gift on the dates of the exchange

Capital Disclosure

The organization's capital consists of its net assets balance of \$149,574. The organization's objective when managing capital is to safeguard the organization's ability to continue as a going concern, so that it can continue to fund its charitable program delivery and administrative activities. Management monitors the organization's capital using various financial techniques to ensure that working capital levels are sufficient to meet all obligations as they come due and that cash reserves are adequate to finance future operations.

New Accounting Standard – Asset and Liability Recognition

Effective January 1, 2010, the organization adopted the Canadian Institute of Chartered Accountants' ("CICA") amendments to Section 1000 of the Handbook. These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching the revenue and expenditure items. This new accounting pronouncement has no impact on these financial statements.

New Accounting Standard – Not For Profit Presentation

Effective January 1, 2010, the organization adopted the CICA amendments to the 4400 Section of the Handbook. These amendments eliminate the requirement to show net assets invested in capital assets as a separate component of net assets, clarify the requirement for revenue and expenditures to be presented on a gross basis when the not-for-profit organization is acting as principal and require a statement of cash flow. Adoption of these recommendations resulted in net assets related to capital assets being consolidated into the unrestricted net assets for presentation purposes. The comparative figures have been changed to reflect this change in presentation.

YOUTH FOR CHRIST/CANADA

Notes to Financial Statements

Year Ended December 31, 2010

3. CAPITAL ASSETS

	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Furniture and office equipment	\$ 3,493	\$ 3,493	\$ -	\$ -
Computer equipment	12,879	8,744	4,135	802
	<u>\$ 16,372</u>	<u>\$ 12,237</u>	<u>\$ 4,135</u>	<u>\$ 802</u>

4. 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.

5. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally designated contributions for various ministries and programs. Externally designated contributions are recognized as revenue in the year in which the related expenditures are incurred.

	National Ministry Initiatives	International Ministries	2010	2009
BALANCE – Beginning of year	\$ 6,531	\$ 45,806	\$ 52,337	\$ 53,760
Contributions received in year	130,945	402,352	533,297	612,432
Recognized as revenue	(120,130)	(304,305)	(424,435)	(613,855)
BALANCE – End of year	<u>\$ 17,346</u>	<u>\$ 143,853</u>	<u>\$ 161,199</u>	<u>\$ 52,337</u>

YOUTH FOR CHRIST/CANADA

Notes to Financial Statements

Year Ended December 31, 2010

6. INTERNAL RESTRICTIONS

During the year the board of directors applied \$42,837 (2009 – \$56,098) to be used for staff salaries and restricted \$46,704 (2009 – \$29,930) for contingency purposes. The internally restricted amounts of \$89,541 (2009 – \$86,028) are not available for purposes other than staff salaries or contingencies without approval of the board of directors.

7. FINANCIAL INSTRUMENTS

Fair Value

All financial instruments are initially recorded at their fair value. Subsequently, all loans and receivables are measured at the amortized cost using the effective interest method, and all other financial instruments are classified as held-for-trading and are measured at their fair value. Any unrealized gains or losses associated with subsequent measurement are recognized immediately in the statement of operations.

The organization's carrying value of accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the immediate or short term maturity of these instruments.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. The organization is exposed to interest rate risk on its investments held in interest bearing accounts. The organization has deemed the risk to be low given that the interest rates are locked in until expiry dates ranging from 2014 – 2020.
