YOUTH FOR CHRIST/CANADA

Financial Statements

December 31, 2011

YOUTH FOR CHRIST/CANADA

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Year Ended December 31, 2011

LOEWEN KRUSE
CHARTERED ACCOUNTANTS

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, 2011, 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.

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

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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, 2011, 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 Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Loewen Kruse

Burnaby, British Columbia
May 2, 2012

Chartered Accountants

YOUTH FOR CHRIST/CANADA

Statement of Financial Position

December 31, 2011

		2011		2010 *(Note 8)*
ASSETS				
CURRENT				
Cash	$	201,951	$	164,692
Accounts receivable		6,199		-
Recoverable from government authorities – HST		19,368		8,579
Prepaid expenses		4,082		750
		231,600		174,021
INVESTMENTS *(Note 2)*		195,942		210,348
CAPITAL ASSETS *(Note 3)*		22,394		4,135
	$	449,936	$	388,504
TRUST ASSETS (*Note 4*)	$	93,306	$	103,664
LIABILITIES AND NET ASSETS				
CURRENT				
Accounts payable and accrued liabilities	$	105,789	$	77,731
Payable to government authorities – source deductions		6,754		-
Deferred contributions *(Note 5)*		186,595		161,199
		299,138		238,930
NET ASSETS – page 5				
Unrestricted		79,358		60,033
Internally restricted (*Note 6*)		71,440		89,541
		150,798		149,574
	$	449,936	$	388,504
TRUST LIABILITIES (*Note 4*)	$	93,306	$	103,664

ON BEHALF OF THE BOARD:

Bruce Beacham Director

Bruce Beacham SIGN HERE

Director

Brian Girvan SIGN HERE

See notes to financial statements

YOUTH FOR CHRIST/CANADA

Statement of Operations

Year Ended December 31, 2011

	2011	2010 (Note 8)
REVENUE		
Contributions	$ 1,279,782	$ 983,009
Registrations, administration fees and other	179,791	152,939
Association dues	100,240	92,695
	1,559,813	1,228,643
EXPENDITURES		
International	615,961	565,014
Ministries training and development	605,477	349,318
National operations	328,232	262,498
Amortization of capital assets	8,919	1,591
	1,558,589	1,178,421
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR – PAGE 5	$ 1,224	$ 50,222

See notes to financial statements

YOUTH FOR CHRIST/CANADA

Statement of Changes in Net Assets

Year Ended December 31, 2011

	Internally Restricted	Unrestricted	**2011**	2010
	(Note 6)			*(Note 8)*
BALANCE – Beginning of year	$ 89,541	$ 60,033	**$ 149,574**	$ 99,352
Excess (deficiency) of revenue over expenditures for the year – page 4	-	1,224	**1,224**	50,222
Transfer (*Note 6*)	(18,101)	18,101	**-**	-
BALANCE – End of year – page 3	$ 71,440	$ 79,358	**$ 150,798**	$ 149,574

See notes to financial statements

YOUTH FOR CHRIST/CANADA

Statement of Cash Flows

Year Ended December 31, 2011

	2011	2010 (Note 8)
OPERATING ACTIVITIES		
Excess of revenue over expenditures for the year – page 4	$ 1,224	$ 50,222
Item not affecting cash:		
Amortization of capital assets	8,919	1,591
	10,143	51,813
Changes in non-cash working capital:		
Accounts receivable	(6,199)	1,227
Recoverable from government authorities – HST	(10,789)	(6,108)
Prepaid expenses	(3,332)	(50)
Accounts payable and accrued liabilities	28,058	16,456
Payable to government authorities – source deductions	6,754	-
Deferred contributions	25,396	108,862
	39,888	120,387
Cash flow from operating activities	50,031	172,200
INVESTING ACTIVITIES		
Decrease (increase) in investments	14,406	(60,367)
Purchase of capital assets	(27,178)	(4,924)
Cash flow used by investing activities	(12,772)	(65,291)
NET INCREASE IN CASH FLOW	37,259	106,909
CASH – Beginning of year	164,692	57,783
CASH – End of year	$ 201,951	$ 164,692

See notes to financial statements

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

Basis of presentation

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

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 registrations, administration fees and association dues are recognized as revenue in the year received.

Investments

Investments, which consist of fixed income bonds with interest rates between 2.65% and 4.2% and 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...

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 $146,827 (publically traded shares) (2010 - $78,666). 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 $150,798. 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 standards not yet adopted

The Canadian Institute of Chartered Accountants has issued new accounting standards for Not-for-Profit Organizations. These new standards are effective for fiscal years beginning on or after January 1, 2012 with early adoption permitted. The organization has not yet adopted these standards.

These new standards are substantially similar to the previous standards, with the only significant changes expected to be reduced disclosure requirements in the financial statements.

3. CAPITAL ASSETS

	Cost	Accumulated amortization	**2011 Net book value**	2010 Net book value *(Note 8)*
Computer equipment	$ 36,193	$ 13,799	**$ 22,394**	$ 4,135
	$ 36,193	$ 13,799	**$ 22,394**	$ 4,135

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	**2011**	2010 *(Note 8)*
BALANCE – Beginning of year	$ 17,346	$ 143,853	**$ 161,199**	$ 52,337
Contributions received in year	235,306	375,281	**610,587**	533,297
Recognized as revenue	(229,707)	(355,484)	**(585,191)**	(424,435)
BALANCE – End of year	$ 22,945	$ 163,650	**$ 186,595**	$ 161,199

6. TRANSFERS AND INTERNAL RESTRICTIONS

During the year the board of directors unrestricted $18,101 to fund the deficiency of revenue over expenditures in staff and contingency accounts. At the end of the year, the board of directors had restricted $24,771 (2010 – $42,837) to be used for staff salaries and restricted $46,669 (2010 – $46,704) for contingency purposes. The internally restricted amounts of $71,440 (2010 – $89,541) 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.

8. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation. Specifically, the revenue and expenditure groupings have been changed to match the new presentation format of the Statement of Operations.