YOUTH FOR CHRIST/CANADA

Financial Statements

December 31, 2012

YOUTH FOR CHRIST/CANADA

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Year Ended December 31, 2012

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, 2012, 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 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 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.

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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 expenses 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, 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements that outlines the nature and effects of the adoption of Canadian accounting standards for not-for-profit organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2011 and January 1, 2011, and the statements of operations, changes in net assets and cash flows for the year ended December 31, 2011 and related disclosures.

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
April 23, 2013

Chartered Accountants

YOUTH FOR CHRIST/CANADA

Statement of Financial Position

December 31, 2012

	Dec 31, 2012	Dec 31, 2011	Jan 1, 2011
ASSETS			
CURRENT			
Cash	**$ 117,070**	$ 201,951	$ 164,692
Accounts receivable	**8,252**	6,199	-
Recoverable from government authorities – HST	**22,096**	19,368	8,579
Prepaid expenses	**6,371**	4,082	750
	153,789	231,600	174,021
INVESTMENTS *(Note 4)*	**290,990**	195,942	210,348
CAPITAL ASSETS *(Note 5)*	**22,428**	22,394	4,135
	$ 467,207	$ 449,936	$ 388,504
TRUST ASSETS (*Note 6*)	**$ 91,193**	$ 93,306	$ 103,664
LIABILITIES AND NET ASSETS			
CURRENT			
Accounts payable and accrued liabilities	**$ 144,987**	$ 105,789	$ 77,731
Payable to government authorities – source deductions	**7,636**	6,754	-
Deferred contributions *(Note 7)*	**156,633**	186,595	161,199
	309,256	299,138	238,930
NET ASSETS – page 5			
Unrestricted	**110,246**	79,358	60,033
Internally restricted	**47,705**	71,440	89,541
	157,951	150,798	149,574
	$ 467,207	$ 449,936	$ 388,504
TRUST LIABILITIES (*Note 6*)	**$ 91,193**	$ 93,306	$ 103,664

ON BEHALF OF THE BOARD:

Bruce Beacham Director

Bruce Beacham

Brian Girvan Director

Brian Girvan

See notes to financial statements

YOUTH FOR CHRIST/CANADA

Statement of Operations

Year Ended December 31, 2012

		2012		2011
REVENUE				
Contributions	$	1,577,554	$	1,279,782
Registrations, administration fees and other		217,568		179,791
Association dues		100,000		100,240
		1,895,122		1,559,813
EXPENSES				
International		858,400		615,961
Ministries training and development		714,809		605,477
National operations		301,496		328,232
Amortization of capital assets		13,264		8,919
		1,887,969		1,558,589
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR – PAGE 5	$	7,153	$	1,224

See notes to financial statements

YOUTH FOR CHRIST/CANADA

Statement of Changes in Net Assets

Year Ended December 31, 2012

	Internally Restricted *(Note 8)*	Unrestricted	**2012**	2011
BALANCE – Beginning of year	$ 71,440	$ 79,358	**$ 150,798**	$ 149,574
Excess of revenue over expenses for the year – page 4	-	7,153	**7,153**	1,224
Internal restrictions (*Note 8*)	22,934	(22,934)	**-**	-
Transfers (*Note 8*)	(46,669)	46,669	**-**	-
BALANCE – End of year – page 3	$ 47,705	$ 110,246	**$ 157,951**	$ 150,798

See notes to financial statements

YOUTH FOR CHRIST/CANADA

Statement of Cash Flows

Year Ended December 31, 2012

		2012		2011
OPERATING ACTIVITIES				
Excess of revenue over expenses for the year – page 4	$	7,153	$	1,224
Item not affecting cash:				
Amortization of capital assets		13,264		8,919
		20,417		10,143
Changes in non-cash working capital:				
Accounts receivable		(2,053)		(6,199)
Recoverable from government authorities – HST		(2,728)		(10,789)
Prepaid expenses		(2,289)		(3,332)
Accounts payable and accrued liabilities		39,198		28,058
Payable to government authorities – source deductions		882		6,754
Deferred contributions		(29,962)		25,396
		3,048		39,888
Cash flow from operating activities		23,465		50,031
INVESTING ACTIVITIES				
Decrease (increase) in investments		(95,048)		14,406
Purchase of capital assets		(13,298)		(27,178)
Cash flow used by investing activities		(108,346)		(12,772)
NET INCREASE (DECREASE) IN CASH FLOW		(84,881)		37,259
CASH – Beginning of year		201,951		164,692
CASH – End of year	$	117,070	$	201,951

See notes to financial statements

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. ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Effective January 1, 2012, the Organization adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting, electing to adopt the new accounting framework: Canadian accounting standards for not-for-profit organizations ASNPO. These are the Organization's first financial statements prepared in accordance with ASNPO which has been applied retrospectively. The accounting standards set out in the significant accounting policies note have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information for the year ended December 31, 2011 and the opening ASNPO statement of financial position at January 1, 2011, the Organization type's date of transition.

The Organization issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by CICA Handbook – Accounting XFI. The adoption of ASNPO had no impact on the previously reported assets, liabilities and net assets of the Organization, and accordingly; no adjustments have been recorded in the comparative statement of financial position, statement of operations, statement of changes in net assets and the cash flow statement. Certain of the Organization's disclosures included in the financial statements reflect the new disclosure requirements of ASNPO.

3. 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 registration, 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, mutual funds and cash 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. The cash and mutual funds are intended to be held for the long term. These investments have been classified as long term assets.

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

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 $154,320 (publically traded shares) (2011 – $146,827). 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 $9,252 (2011 – $6,944) related to matching employee contributions.

4. INVESTMENTS

	Dec 31, 2012 Net book value	Dec 31, 2011 Net book value	Jan 1, 2011 Net book value
Fixed income bonds	**$ 234,858**	$ 195,942	$ 210,207
Mutual funds	**55,390**	-	-
Cash	**742**	-	141
	$ 290,990	$ 195,942	$ 210,348

The fixed income bonds have interest rates from 1.00% to 3.00% (2011 – 2.65% to 4.20%) and varying maturity dates from February 2014 to November 2016. The mutual funds have no stated interest rates or maturity values and are invested in fixed income bonds.

5. CAPITAL ASSETS

	Cost	Accumulated amortization	**Dec 31, 2012 Net book value**	Dec 31, 2011 Net book value	Jan 1, 2011 Net book value
Computer equipment	$ 45,400	$ 22,972	**$ 22,428**	$ 22,394	$ 4,135
	$ 45,400	$ 22,972	**$ 22,428**	$ 22,394	$ 4,135

6. 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.

7. 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 expenses are incurred.

	National Ministry Initiatives	International Ministries	**Dec 31, 2012**	Dec 31, 2011	Jan 1, 2011
BALANCE – Beginning of year	$ 22,945	$ 163,650	**$ 186,595**	$ 161,199	$ 52,337
Contributions received in year	174,379	486,842	**661,221**	485,849	474,317
Internal transfers in regards to shared costs and to fund deficits	118,001	32,524	**150,525**	124,738	58,980
Recognized as revenue	(260,898)	(580,810)	**(841,708)**	(585,191)	(424,435)
BALANCE – End of year	$ 54,427	$ 102,206	**$ 156,633**	$ 186,595	$ 161,199

8. TRANSFERS AND INTERNAL RESTRICTIONS

During the year the board of directors transferred $Nil (2011 – $18,101) to fund the deficiency of revenue over expenses in staff and contingency accounts.

During the year the board of directors internally allocated $22,934 of the excess (deficiency) of revenue over expenditures to the internally restricted net assets.

During the year the board of directors determined to transfer the opening balance of $46,669 in the internally restricted contingency fund to the unrestricted net assets.

9. 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 are tied to set interest rates, minimizing the risk of significant reductions to 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 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.