



Financial Statements

*Young Life of Canada*

September 30, 2015

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# Independent Auditor's Report

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To the Directors of  
Young Life of Canada

We have audited the accompanying financial statements of Young Life of Canada (“Young Life”), which comprise the statement of financial position as at September 30, 2015, and the statement of deficiency and fund balances and 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 auditors consider internal control relevant to Young Life'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 Young Life'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 non-profit organizations, Young Life derives revenue from donations activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Young Life. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, deficiency of revenues over expenses, and cash flows from operations for the year ended September 30, 2015, current assets as at September 30, 2015, and net assets as at September 30, 2015.

#### 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 Young Life as at September 30, 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.

Langley, Canada  
November 9, 2015



Chartered Professional Accountants

# Young Life of Canada

## Statement of Deficiency and Fund Balances

Year ended September 30

2015

2014

	Restricted Funds		General Funds			
	RockRidge Fund	Scholarship Fund	Invested in Property and Equipment Fund	Unrestricted Fund (Schedule)		
Revenue						
Donations (Note 10)	\$ 922,820	\$ 255,117	\$ 111,800	\$ 6,440,540	\$ 7,730,277	\$ 7,427,649
Camping	990,994	-	-	460,556	1,451,550	1,529,632
Rental	1,283,898	-	-	-	1,283,898	930,667
Non-receptable revenue (Note 10)	48,189	-	-	333,220	381,409	344,543
Merchandise	174,696	-	-	-	174,696	174,951
Government grants	4,305	-	-	124,069	128,374	95,887
Gain on dental self-insurance	-	-	-	-	-	4,005
Gain on sale of assets	-	-	25,362	-	25,362	1,028
Gain on foreign exchange	4,759	-	-	5,793	10,552	448
	<u>3,429,661</u>	<u>255,117</u>	<u>137,162</u>	<u>7,364,178</u>	<u>11,186,118</u>	<u>10,508,810</u>
Expenses						
Salaries	813,568	-	-	4,105,311	4,918,879	4,935,540
Amortization	-	-	1,923,181	-	1,923,181	1,903,890
Employee benefits	143,583	-	-	800,066	943,649	935,714
Camping	-	-	-	774,594	774,594	882,935
Office and administration	227,630	-	-	546,672	774,302	737,801
Food	458,887	-	-	-	458,887	412,889
Promotion	10,456	-	-	439,311	449,767	469,049
Supplies and maintenance	342,421	-	-	-	342,421	302,423
Program	43,830	-	-	230,337	274,167	275,323
Training and recruitment	13,596	-	-	239,264	252,860	171,092
Travel	47,526	-	-	187,694	235,220	302,735
Utilities	222,999	-	-	-	222,999	257,603
Cost of merchandise sold	115,302	-	-	-	115,302	117,971
Interest	65,495	-	-	-	65,495	73,371
Loss on sale of investments	-	-	-	3,649	3,649	2,348
Loss on dental insurance	-	-	-	2,862	2,862	-
Relocation	1,000	-	-	906	1,906	9,054
	<u>2,506,293</u>	<u>-</u>	<u>1,923,181</u>	<u>7,330,666</u>	<u>11,760,140</u>	<u>11,789,738</u>
(Deficiency) surplus of revenue over expenses	923,368	255,117	(1,786,019)	33,512	(574,022)	(1,280,928)
Unrealized gain (loss) on investments	-	-	-	(6,063)	(6,063)	21,201
Balance, beginning of the year	(1,017,372)	87,756	27,772,992	974,559	27,817,935	29,077,662
Internal transfer between funds (Note 8)	(1,182,690)	(246,231)	1,172,419	256,502	-	-
Balance, end of year	<u>\$ (1,276,694)</u>	<u>\$ 96,642</u>	<u>\$ 27,159,392</u>	<u>\$ 1,258,510</u>	<u>\$ 27,237,850</u>	<u>\$ 27,817,935</u>

See accompanying notes and schedule to the financial statements.

# Young Life of Canada

## Statement of Financial Position

September 30

2015

2014

	Restricted Funds		General Funds			
	RockRidge Fund	Scholarship Fund	Invested in Property and Equipment Fund	Unrestricted Fund		
<b>Assets</b>						
Current						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 139,347
Accounts receivable	181,694	-	252,425	212,229	646,348	240,562
Inventory	57,643	-	-	-	57,643	51,062
Prepaid expenses	124,401	-	-	87,995	212,396	89,366
	<u>363,738</u>	<u>-</u>	<u>252,425</u>	<u>300,224</u>	<u>916,387</u>	<u>520,337</u>
Investments (Note 3)	-	-	-	144,908	144,908	150,970
Property and equipment (Note 4)	-	-	28,765,240	-	28,765,240	29,408,278
	<u>\$ 363,738</u>	<u>\$ -</u>	<u>\$ 29,017,665</u>	<u>\$ 445,132</u>	<u>\$ 29,826,535</u>	<u>\$ 30,079,585</u>
<b>Liabilities</b>						
Current						
Bank overdraft	\$ 12,363	\$ -	\$ -	\$ 13,499	\$ 25,862	\$ -
Term debt (Note 5)	-	-	1,921,000	-	1,921,000	1,845,537
Payables and accruals (Note 6)	145,431	-	252,426	171,137	568,994	406,113
Deferred revenue (Note 7)	-	-	-	72,829	72,829	10,000
	<u>157,794</u>	<u>-</u>	<u>2,173,426</u>	<u>257,465</u>	<u>2,588,685</u>	<u>2,261,650</u>
Interfund payable (receivable)	1,482,638	(96,642)	(315,153)	(1,070,843)	-	-
	<u>1,640,432</u>	<u>(96,642)</u>	<u>1,858,273</u>	<u>(813,378)</u>	<u>2,588,685</u>	<u>2,261,650</u>
Net assets						
Restricted fund balances	(1,276,694)	96,642	-	-	(1,180,052)	(929,616)
Invested in property and equipment (Note 9)	-	-	27,159,392	-	27,159,392	27,772,992
Operating fund balance	-	-	-	1,258,510	1,258,510	974,559
	<u>(1,276,694)</u>	<u>96,642</u>	<u>27,159,392</u>	<u>1,258,510</u>	<u>27,237,850</u>	<u>27,817,935</u>
	<u>\$ 363,738</u>	<u>\$ -</u>	<u>\$ 29,017,665</u>	<u>\$ 445,132</u>	<u>\$ 29,826,535</u>	<u>\$ 30,079,585</u>

Commitments (Note 13)

On behalf of the board

Director

Director

See accompanying notes and schedule to the financial statements.

# Young Life of Canada

## Statement of Cash Flows

Year ended September 30

2015

2014

Increase (decrease) in cash and cash equivalents

### Operating

Deficiency of revenue over expenses	\$ (574,022)	\$ (1,280,928)
Adjustments to determine cash flows:		
Amortization of property and equipment	1,923,181	1,903,890
Loss on sale of investments	3,649	2,348
Gain on sale of assets	(25,361)	(1,028)
Donated investments	(293,632)	(162,612)
	<u>1,033,815</u>	<u>461,670</u>
Change in non-cash working capital items		
Accounts receivable	(405,786)	(202,474)
Inventory	(6,581)	(4,376)
Prepaid expenses	(123,030)	104,682
Notes receivable	-	2,000
Payables and accruals	162,880	59,926
Deferred revenue	62,829	1,000
	<u>724,127</u>	<u>422,428</u>

### Financing

Advance (repayment) of term debt, net	<u>75,463</u>	<u>(754,870)</u>
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### Investing

Proceeds from sale of investments	289,983	160,265
Proceeds from sale of assets	27,000	3,500
Purchase of property and equipment	(1,281,782)	(133,319)
	<u>(964,799)</u>	<u>30,446</u>

Decrease in cash	(165,209)	(301,996)
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Cash (bank overdraft)

Beginning of year	<u>139,347</u>	<u>441,343</u>
End of year	<u>\$ (25,862)</u>	<u>\$ 139,347</u>

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# Young Life of Canada

## Notes to the Financial Statements

September 30, 2015

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### 1. Nature of operations

Young Life of Canada is a charitable organization registered under the *Income Tax Act* and is incorporated without capital stock under the *Canada Corporations Act*. Young Life works with teenagers, encouraging them to be in a relationship with Jesus Christ.

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### 2. Summary of significant accounting policies

#### Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the useful lives for amortization. Actual results may ultimately differ from these estimates.

#### Cash/bank overdraft

Cash consists of balances with banks, net of any overdrafts. Bank overdrafts are the result of any timing differences relating to outstanding cheques and deposits.

#### Fund accounting

Young Life follows fund accounting procedures, giving recognition to restrictions on the use of resources specified by donors. The fund classifications are as follows:

##### General funds

###### *Unrestricted Fund*

The Unrestricted Fund reflects the activities associated with Young Life's day-to-day operations.

###### *Invested in Property and Equipment Fund*

The Invested in Property and Equipment Fund reflects the capital investing activities of Young Life.

##### Externally restricted funds

Restricted funds include donations received by Young Life which have been designated for the following specific purposes by the donor:

- i The RockRidge Fund is used to raise funds for the purchase and operation of camp property.
- ii The Scholarship Fund is used to supplement camping fees for campers who cannot afford to attend Young Life camps.



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# Young Life of Canada

## Notes to the Financial Statements

September 30, 2015

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### 2. Summary of significant accounting policies (continued)

#### Contributed services and materials

A substantial number of volunteers contribute a significant amount of their time to Young Life each year. Because of the difficulty in determining their fair value, these contributed services are not recognized in the financial statements.

Contributions of materials are recognized only when a fair value can be reasonably estimated and the materials are used in the normal course of operations.

#### Inventory

Inventory consists of items held for sale at the general store of RockRidge camp. Inventory is recorded at the lower of cost and net realizable value. Cost has been determined on a specific item basis.

#### Investments

Investments are recorded at fair value.

#### Property and equipment

Property and equipment are recorded at cost. Amortization is provided on the straight-line basis, which will write off the cost of the assets over their estimated useful lives, as follows:

Lorne Lake dam	40 years
Buildings	20 years
Furniture and equipment	5 years
Vehicles and boats	5 years
Computer equipment	3 years

Significant donated assets are capitalized at their fair market value and are amortized in accordance with the above policies.

#### Revenue recognition

Young Life follows the restricted fund method of accounting for contributions.

Restricted contributions related to general operations are recognized as revenue of the Unrestricted Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the Unrestricted Fund in the year received or receivable if the amount to be received can be reasonably established and collection is reasonably assured.

Restricted camping revenue from camping events held at RockRidge camp property are recognized in the year received or receivable if the amount to be received can be reasonably established and collection is reasonably assured.

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# Young Life of Canada

## Notes to the Financial Statements

September 30, 2015

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### 2. Summary of significant accounting policies (continued)

#### Revenue recognition (continued)

Unrestricted camping revenue from camping events held outside of RockRidge camp property are recognized in the year received or receivable if the amount to be received can be reasonably established and collection is reasonably assured.

Restricted rental and merchandise revenue is recognized when the services or goods are delivered and amounts have been received.

Investment income includes dividend and interest income, and realized and unrealized investment gains and losses. Dividend income, interest income, and realized gains and losses earned on RockRidge Fund resources are used to purchase, construct, and operate the camp property and are recognized as revenue of the RockRidge Fund. Dividend income, interest income, and realized gains and losses earned on Unrestricted Fund resources are used to support general operations and are recognized as revenue in the Unrestricted Fund.

Unrealized gains and losses are included directly in the fund balance of the appropriate fund.

Deferred revenue represents funding received in the current year that is related to the subsequent year.

#### Financial instruments

Young Life initially measures its financial assets and financial liabilities at fair value. Young Life subsequently measures all of its financial assets and financial liabilities at amortized cost, with the exception of investments which are subsequently measured at fair value.

Financial assets measured at amortized cost include accounts receivable.

Financial liabilities measured at amortized cost include bank overdraft, term debt, payables and accruals and accrued interest payable.

It is management's opinion that the organization is not exposed to significant currency or credit risks arising from these financial instruments other than its term debt which is exposed to interest rate risk. Young Life does not currently mitigate the risk.

#### Foreign currency transactions

Monetary assets and liabilities which are denominated in foreign currencies are translated into Canadian dollars at the year end exchange rates. Revenue and expenses are translated at rates of exchange prevailing on the transaction date. Gains and losses on translation are included in the results of operations.

#### Income taxes

Young Life is exempt from income taxes under Section 149(5) of the Income Tax Act.

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# Young Life of Canada

## Notes to the Financial Statements

September 30, 2015

<b>3. Investments</b>	<u>2015</u>	<u>2014</u>
Cash surrender value of life insurance policy	\$ 144,907	\$ 150,969
Marketable securities	1	1
	<u>\$ 144,908</u>	<u>\$ 150,970</u>

<b>4. Property and equipment</b>	<u>2015</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Land	\$ 4,447,000	\$ -	\$ 4,447,000
Lorne Lake dam	8,012,912	1,764,843	6,248,069
Buildings	31,690,857	14,067,848	17,623,009
Furniture and equipment	545,302	241,958	303,344
Vehicles and boats	225,404	110,409	114,995
Computer equipment	61,981	33,158	28,823
	<u>\$ 44,983,456</u>	<u>\$ 16,218,216</u>	<u>\$ 28,765,240</u>
			<u>2014</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Land	\$ 4,447,000	\$ -	\$ 4,447,000
Lorne Lake dam	8,012,912	1,564,520	6,448,392
Buildings	30,797,484	12,519,791	18,277,693
Furniture and equipment	336,274	173,141	163,133
Vehicles and boats	391,359	336,402	54,957
Computer equipment	54,501	37,398	17,103
	<u>\$ 44,039,530</u>	<u>\$ 14,631,252</u>	<u>\$ 29,408,278</u>

<b>5. Term debt</b>	<u>2015</u>	<u>2014</u>
Variable rate term loan, secured by land, bearing interest at Royal Bank prime plus 0.90% per annum, with monthly payments of \$28,000, due March 31, 2016	\$ 1,096,000	\$ 875,537
Variable rate line of credit, secured by land, bearing interest at Royal Bank prime plus 0.70% per annum, payable on demand	<u>825,000</u>	<u>970,000</u>
	<u>\$ 1,921,000</u>	<u>\$ 1,845,537</u>

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# Young Life of Canada

## Notes to the Financial Statements

September 30, 2015

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### 6. Payables and accruals

Included in payables and accruals are government remittances payable of \$82,374 (2014 - \$65,365).

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### 7. Deferred revenue

The deferred revenue represents funding received in the current year that is related to the subsequent year. Changes in the deferred revenue balance are as follows:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 10,000	\$ 9,000
Add amounts received in the year	72,829	10,000
Less amounts recognized as revenue in the year	<u>(10,000)</u>	<u>(9,000)</u>
Balance, end of year	<u>\$ 72,829</u>	<u>\$ 10,000</u>

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### 8. Interfund transfers

The RockRidge Fund transferred \$1,142,294 (2014 - \$120,255) to the Invested in Property and Equipment Fund for continued construction of the RockRidge camp property and for Champion Projects. A further \$85,003 (2014 - \$85,546) was transferred to the Unrestricted Fund for national office charges and internal financing.

The Unrestricted Fund transferred \$30,125 (2014 - \$13,063) to the Invested in Property and Equipment Fund for computers, equipment and furniture. A further \$44,607 (2014 - \$134,596) was transferred to the RockRidge Fund to cover costs associated with Young Life meetings and events held at RockRidge Canyon.

The Scholarship Fund transferred \$246,231 (2014 - \$287,443) to the Unrestricted Fund to assist with camping activities.

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### 9. Net assets invested in property and equipment

Change in net assets invested in property and equipment is calculated as follows:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 27,772,992	\$ 28,540,735
Donations	111,800	1,001,800
Proceeds from sale of assets	27,000	-
Property and equipment additions, net	1,170,781	134,347
Amortization of property and equipment	<u>(1,923,181)</u>	<u>(1,903,890)</u>
Balance, end of year	<u>\$ 27,159,392</u>	<u>\$ 27,772,992</u>

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# Young Life of Canada

## Notes to the Financial Statements

September 30, 2015

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### 10. Related party transactions

Related parties consist of directors, officers and a charitable foundation controlled by a director of Young Life. The organization received donations of \$1,213,861 (2014 - \$392,096) from related parties during the year. These transactions are recorded at the exchange amount as agreed to by the related parties.

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### 11. Related organization

The Young Life of Canada Foundation (the "Foundation") is a related organization to Young Life. The Foundation was formed to help support the work of Young Life and Christian ministry in general. The Foundation is incorporated under the *Society Act* (British Columbia) and is a registered charity under the *Income Tax Act*.

The organization received \$605,479 (2014 - \$Nil) of donations from the Foundation. Also included in non-receiptable revenue is \$81,162 (2014 - \$Nil) received from the Foundation for salaries paid by the organization on behalf of the Foundation.

At year end, accounts receivable included \$198,025 (2014 - \$81,510) due from the Foundation.

The net assets and results of operations of the Foundation are not included in the statements of Young Life, but are reported on separately. A financial summary of the Foundation as at September 30, 2015 and the year then ended is as follows:

	<u>2015</u>	<u>2014</u>
<b>Financial position</b>		
Total net assets	<u>\$ (196,884)</u>	<u>\$ (81,263)</u>
<b>Results of operations</b>		
Total revenue	<u>\$ 669,368</u>	\$ -
Total expenses	<u>784,989</u>	<u>81,510</u>
Deficiency of revenue over expenses	<u>\$ (115,621)</u>	<u>\$ (81,510)</u>
<b>Cash flows</b>		
Cash from operations	<u>\$ 753</u>	<u>\$ -</u>
Increase in cash	<u>\$ 753</u>	<u>\$ -</u>

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# Young Life of Canada

## Notes to the Financial Statements

September 30, 2015

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### 12. Capital management

The capital structure of Young Life consists of net assets invested in property and equipment and unrestricted and restricted net assets. The primary objective of Young Life's capital management is to provide adequate funding to support Young Life programs and camps.

Net assets invested in property and equipment represent the amount of net assets that are not available for other purposes because they have been invested.

Restricted net assets are externally restricted funds which have been designated for the specific purposes outlined in Note 2.

The unrestricted net assets are funds available for future operations.

The entity has several non-financial covenants with respect to the term debt disclosed in Note 5. As of September 30, 2015 Young Life was in compliance with its debt covenants.

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### 13. Commitments

Young Life has an operating lease commitment on their office premises. The minimum rental commitments under the operating lease are as follows:

2016	\$	62,100
2017		65,000
2018		65,000

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### 14. Financial instruments

The carrying amounts of financial assets measured at amortized cost are \$646,348 as at September 30, 2015 (September 30, 2014 - \$379,909).

The carrying amounts of financial liabilities measured at amortized cost are \$2,515,856 as at September 30, 2015 (September 30, 2014 - \$2,251,650).

The carrying amounts of financial assets measured at fair value are \$144,908 as at September 30, 2015 (September 30, 2014 - \$150,970).

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# Young Life of Canada

## Schedule of General Unrestricted Fund

Year ended September 30

2015

2014

Revenue		
Donations	\$ 6,440,540	\$ 5,956,443
Camping	460,556	559,822
Fundraisers	333,220	342,186
Government grants	124,069	95,887
Gain on foreign exchange	5,793	293
Gain on dental self-insurance	-	4,005
	<u>7,364,178</u>	<u>6,958,636</u>
Expenses		
Salaries	4,105,311	4,147,063
Employee benefits	800,066	797,861
Camping	774,594	882,510
Office and administration	546,672	509,689
Promotion	439,311	453,189
Training and recruitment	239,264	163,764
Program	230,337	246,825
Travel	187,694	260,519
Loss on sale of investments	3,649	1,621
Loss on sale of assets	2,862	-
Relocation	906	593
	<u>7,330,666</u>	<u>7,463,634</u>
Excess (deficiency) of revenue over expenses	\$ 33,512	\$ (504,998)