



Financial Statements

Young Life of Canada

September 30, 2017

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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, 2017, and the statements of surplus 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, surplus of revenues over expenses, and cash flows from operations for the year ended September 30, 2017, current assets as at September 30, 2017, and net assets as at September 30, 2017.

#### 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, 2017, 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 16, 2017



Chartered Professional Accountants

# Young Life of Canada

## Statement of Surplus and Fund Balances

Year ended September 30

2017

2016

	Restricted Funds		General Funds			
	RockRidge Fund	Scholarship Fund	Invested in Property and Equipment Fund	Unrestricted Fund (Schedule)		
<b>Revenue</b>						
Donations (Note 11)	\$ 5,596,117	\$ 323,220	\$ 1,800	\$ 6,582,866	\$ 12,504,003	\$ 11,350,063
Camping	831,763	-	-	569,859	1,401,622	1,388,345
Rental	1,263,670	-	-	-	1,263,670	917,827
Non-receptable revenue	2,131	-	-	331,588	333,719	323,872
Government grants	14,403	-	-	170,010	184,413	81,600
Merchandise	151,850	-	-	-	151,850	147,657
Gain on sale of assets	-	-	7,757	-	7,757	659
Gain on foreign exchange	-	-	-	4,527	4,527	318
Gain on sale of investments	-	-	-	-	-	45
	<u>7,859,934</u>	<u>323,220</u>	<u>9,557</u>	<u>7,658,850</u>	<u>15,851,561</u>	<u>14,210,386</u>
<b>Expenses</b>						
Salaries	903,409	-	-	4,281,869	5,185,278	5,069,634
Amortization	-	-	1,257,534	-	1,257,534	909,130
Employee benefits	155,089	-	-	878,174	1,033,263	992,393
Camping	-	-	-	927,365	927,365	793,852
Office and administration	196,764	-	-	502,232	698,996	705,736
Promotion	20,524	-	-	428,332	448,856	419,583
Food	365,256	-	-	-	365,256	343,805
Program	33,668	-	-	257,319	290,987	282,424
Utilities	283,325	-	-	-	283,325	236,648
Supplies and maintenance	254,527	-	-	-	254,527	262,017
Travel	70,553	-	-	165,873	236,426	231,881
Training and recruitment	15,028	-	-	174,701	189,729	284,451
Cost of merchandise sold	102,387	-	-	-	102,387	82,533
Interest	64,934	-	-	-	64,934	69,366
Relocation	14,397	-	-	4,132	18,529	2,376
Loss on dental insurance	-	-	-	9,563	9,563	203
Loss on sale of investments	-	-	-	504	504	-
Loss on foreign exchange	380	-	-	-	380	583
	<u>2,480,241</u>	<u>-</u>	<u>1,257,534</u>	<u>7,630,064</u>	<u>11,367,839</u>	<u>10,686,615</u>
Surplus (deficiency) of revenue over expenses	5,379,693	323,220	(1,247,977)	28,786	4,483,722	3,523,771
Unrealized gain on investments	-	-	-	24,073	24,073	19,677
Balance, beginning of the year	(1,593,061)	123,167	30,531,595	1,719,597	30,781,298	27,237,850
Internal transfer between funds (Note 9)	<u>(5,618,108)</u>	<u>(262,789)</u>	<u>5,905,502</u>	<u>(24,605)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ (1,831,476)</u>	<u>\$ 183,598</u>	<u>\$ 35,189,120</u>	<u>\$ 1,747,851</u>	<u>\$ 35,289,093</u>	<u>\$ 30,781,298</u>

See accompanying notes and schedule to the financial statements.

# Young Life of Canada Statement of Financial Position

September 30

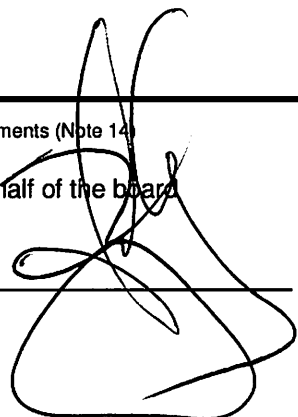
2017

2016

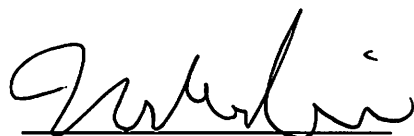
	Restricted Funds		General Funds		2017	2016
	RockRidge Fund	Scholarship Fund	Invested in Property and Equipment Fund	Unrestricted Fund		
<b>Assets</b>						
<b>Current</b>						
Cash	\$ -	\$ -	\$ -	\$ 136,892	\$ 136,892	\$ 122,887
Accounts receivable	833,351	-	-	60,948	894,299	1,899,462
Inventory	62,690	-	-	-	62,690	66,604
Prepaid expenses	140,294	-	-	111,503	251,797	175,367
	<u>1,036,335</u>	<u>-</u>	<u>-</u>	<u>309,343</u>	<u>1,345,678</u>	<u>2,264,320</u>
Investments (Note 3)	-	-	-	189,544	189,544	164,585
Property and equipment (Note 4)	-	-	36,767,519	-	36,767,519	32,111,793
	<u>\$ 1,036,335</u>	<u>\$ -</u>	<u>\$ 36,767,519</u>	<u>\$ 498,887</u>	<u>\$ 38,302,741</u>	<u>\$ 34,540,698</u>
<b>Liabilities</b>						
<b>Current</b>						
Term debt (Note 5)	-	-	2,051,404	-	2,051,404	2,184,613
Note payable (Note 6)	550,349	-	-	-	550,349	-
Payables and accruals (Note 7)	129,765	-	-	236,475	366,240	1,547,984
Deferred revenue (Note 8)	9,322	-	-	36,333	45,655	26,803
	<u>689,436</u>	<u>-</u>	<u>2,051,404</u>	<u>272,808</u>	<u>3,013,648</u>	<u>3,759,400</u>
Interfund payable (receivable)	2,178,375	(183,598)	(473,005)	(1,521,772)	-	-
	<u>2,867,811</u>	<u>(183,598)</u>	<u>1,578,399</u>	<u>(1,248,964)</u>	<u>3,013,648</u>	<u>3,759,400</u>
<b>Net assets</b>						
Restricted fund balances	(1,831,476)	183,598	-	-	(1,647,878)	(1,469,894)
Invested in property and equipment (Note 10)	-	-	35,189,120	-	35,189,120	30,531,595
Operating fund balance	-	-	-	1,747,851	1,747,851	1,719,597
	<u>(1,831,476)</u>	<u>183,598</u>	<u>35,189,120</u>	<u>1,747,851</u>	<u>35,289,093</u>	<u>30,781,298</u>
	<u>\$ 1,036,335</u>	<u>\$ -</u>	<u>\$ 36,767,519</u>	<u>\$ 498,887</u>	<u>\$ 38,302,741</u>	<u>\$ 34,540,698</u>

Commitments (Note 14)

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

2017

2016

Increase (decrease) in cash

### Operating

Surplus of revenue over expenses	\$ 4,483,722	\$ 3,523,771
Adjustments to determine cash flows:		
Amortization of property and equipment	1,257,534	909,130
Loss (gain) on sale of investments	504	(45)
Gain on sale of assets	(7,757)	(659)
Donated property and equipment	-	(4,000)
Donated investments	(81,135)	(52,839)
	<u>5,652,868</u>	4,375,358
Change in non-cash working capital items		
Accounts receivable	1,005,163	(1,253,114)
Inventory	3,914	(8,961)
Prepaid expenses	(76,430)	37,029
Payables and accruals	(1,181,744)	978,990
Deferred revenue	18,852	(46,026)
	<u>5,422,623</u>	4,083,276

### Financing

Repayment of term debt, net	(133,209)	263,613
Proceeds from note payable	550,349	-
	<u>417,140</u>	263,613

### Investing

Proceeds from sale of investments	80,031	52,884
Proceeds from sale of assets	25,098	60,230
Purchase of investments	(286)	-
Purchase of property and equipment	(5,930,601)	(4,311,254)
	<u>(5,825,758)</u>	(4,198,140)

Increase in cash 14,005 148,749

Cash (bank overdraft)

Beginning of year	<u>122,887</u>	(25,862)
End of year	<u>\$ 136,892</u>	\$ 122,887

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# Young Life of Canada

## Notes to the Financial Statements

September 30, 2017

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### 1. Nature of operations

Young Life of Canada (“Young Life”) is a charitable organization registered under the *Income Tax Act* and is incorporated without capital stock under the *Canada Corporations Act*, and is continued under the *Canada Not-for-Profit 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, 2017

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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 Canyon. 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	80 years
Buildings	40 years
Pool, challenge course & sound	20 years
Zipline	10 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.

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# Young Life of Canada

## Notes to the Financial Statements

September 30, 2017

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

#### Revenue recognition (continued)

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 Canyon property are recognized in the year received or receivable if the amount to be received can be reasonably established and collection is reasonably assured.

Unrestricted camping revenue from camping events held outside of RockRidge Canyon 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 cash and accounts receivable.

Financial liabilities measured at amortized cost include term debt, note payable, payables and accruals and accrued interest payable, and due to related parties.

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 period-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.

# Young Life of Canada

## Notes to the Financial Statements

September 30, 2017

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

#### Income taxes

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

3. Investments	2017	2016
Cash surrender value of life insurance policy	\$ 189,543	\$ 164,584
Marketable securities	1	1
	<b>\$ 189,544</b>	<b>\$ 164,585</b>

4. Property and equipment		2017	
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 4,447,000	\$ -	\$ 4,447,000
Lorne Lake dam	8,012,912	1,938,401	6,074,511
Buildings	39,622,892	14,688,209	24,934,683
Pool, challenge course & sound system	1,069,359	719,163	350,196
Zipline	133,728	58,750	74,978
Furniture and equipment	1,210,527	519,291	691,236
Vehicles and boats	433,207	251,868	181,339
Computer equipment	86,511	72,935	13,576
	<b>\$ 55,016,136</b>	<b>\$ 18,248,617</b>	<b>\$ 36,767,519</b>
			2016
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 4,447,000	\$ -	\$ 4,447,000
Lorne Lake dam	8,012,912	1,851,622	6,161,290
Buildings	34,383,563	13,918,735	20,464,828
Pool, challenge course & sound system	1,069,359	653,721	415,638
Zipline	129,489	49,431	80,058
Furniture and equipment	634,736	355,234	279,502
Vehicles and boats	431,157	190,042	241,115
Computer equipment	79,334	56,972	22,362
	<b>\$ 49,187,550</b>	<b>\$ 17,075,757</b>	<b>\$ 32,111,793</b>

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# Young Life of Canada

## Notes to the Financial Statements

September 30, 2017

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<b>5. Term debt</b>	<u>2017</u>	<u>2016</u>
Variable rate term loan, secured by land, bearing interest at Royal Bank prime plus 0.90% per annum, with monthly payments of \$8,000, due March 31, 2018.	\$ 643,299	\$ 794,613
Variable rate line of credit, secured by land, bearing interest at Royal Bank prime plus 0.70% per annum, payable on demand.	<u>1,408,105</u>	<u>1,390,000</u>
	<u>\$ 2,051,404</u>	<u>\$ 2,184,613</u>

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### 6. Note payable

Payable to a related party, unsecured, non-interest bearing due on December 31, 2017.

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### 7. Payables and accruals

Included in payables and accruals are government remittances payable of \$37,618 (2016 - \$33,293).

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### 8. 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>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 26,803	\$ 72,829
Add amounts received in the year	268,654	26,803
Less amounts recognized as revenue in the year	<u>(249,802)</u>	<u>(72,829)</u>
Balance, end of year	<u>\$ 45,655</u>	<u>\$ 26,803</u>

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### 9. Interfund transfers

The RockRidge Fund transferred \$5,884,341 (2016 - \$4,257,458) to the Invested in Property and Equipment Fund for continued construction of the RockRidge Canyon property and for Champion Projects. A further \$109,456 (2016 - \$84,674) was transferred to the Unrestricted Fund for national office charges and internal financing.

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# Young Life of Canada

## Notes to the Financial Statements

September 30, 2017

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### 9. Interfund transfers (continued)

The Unrestricted Fund transferred \$21,161 (2016 - \$17,415) to the Invested in Property and Equipment Fund for computers, equipment and furniture. A further \$114,951 (2016 - \$32,491) was transferred to the RockRidge Fund to cover costs associated with Young Life meetings and events held at RockRidge Canyon. A total of \$260,738 (2016 - \$nil) was transferred to the RockRidge Fund for internal financing.

The Scholarship Fund transferred \$262,789 (2016 - \$240,811) to the Unrestricted Fund to assist with camping activities.

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

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

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 30,531,595	\$ 27,159,392
Donations	1,800	1,800
Proceeds from sale of assets	25,098	60,030
Property and equipment additions, net	5,888,161	4,219,503
Amortization of property and equipment	<u>(1,257,534)</u>	<u>(909,130)</u>
Balance, end of year	<u>\$ 35,189,120</u>	<u>\$ 30,531,595</u>

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### 11. 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 \$5,971,082 (2016 - \$5,010,750) 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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### 12. 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 \$802,018 (2016 - \$774,451) of donations from the Foundation.

At year-end, accounts receivable included \$28,560 (2016 - \$295,565) due from the Foundation.

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# Young Life of Canada

## Notes to the Financial Statements

September 30, 2017

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### 12. Related organization (continued)

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, 2017 and the year then ended is as follows:

	<u>2017</u>	<u>2016</u>
<b>Financial position</b>		
Total net assets	<u>\$ (27,147)</u>	<u>\$ (294,888)</u>
<b>Results of operations</b>		
Total revenue	<u>\$ 1,095,063</u>	<u>\$ 773,651</u>
Total expenses	<u>827,322</u>	<u>871,655</u>
Deficiency of revenue over expenses	<u>\$ 267,741</u>	<u>\$ (98,004)</u>
<b>Cash flows</b>		
Cash from operations	<u>\$ 882</u>	<u>\$ (839)</u>
Increase in cash	<u>\$ 882</u>	<u>\$ (839)</u>

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### 13. 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, 2017 Young Life was in compliance with its debt covenants.

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### 14. Commitments

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

2018	65,500
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# Young Life of Canada

## Notes to the Financial Statements

September 30, 2017

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### 15. Financial instruments

The carrying amounts of financial assets measured at amortized cost are \$1,031,191 as at September 30, 2017 (September 30, 2016 - \$2,022,349).

The carrying amounts of financial liabilities measured at amortized cost are \$2,967,993 as at September 30, 2017 (September 30, 2016 - \$3,732,597).

The carrying amounts of financial assets measured at fair value are \$189,544 as at September 30, 2017 (September 30, 2016 - \$164,585).

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# Young Life of Canada

## Schedule of General Unrestricted Fund

Year ended September 30

2017

2016

	2017	2016
<b>Revenue</b>		
Donations	\$ 6,582,866	\$ 6,665,938
Camping	569,859	520,298
Fundraisers	331,588	285,894
Government grants	170,010	80,165
Gain on sale of investments	-	45
Gain on foreign exchange	4,527	-
	<u>7,658,850</u>	<u>7,552,340</u>
<b>Expenses</b>		
Salaries	4,281,869	4,146,727
Employee benefits	878,174	837,656
Camping	927,365	793,735
Office and administration	502,232	493,432
Promotion	428,332	402,751
Training and recruitment	174,701	270,564
Program	257,319	248,249
Travel	165,873	191,375
Relocation	4,132	1,232
Loss on foreign exchange	-	583
Loss on sale of assets	9,563	203
Loss on sale of investments	504	-
	<u>7,630,064</u>	<u>7,386,507</u>
Excess of revenue over expenses	<u>\$ 28,786</u>	<u>\$ 165,833</u>