



Financial Statements

Young Life of Canada

September 30, 2018

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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, 2018, 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, 2018, current assets as at September 30, 2018, and net assets as at September 30, 2018.

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, 2018, 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 20, 2018



Chartered Professional Accountants

Young Life of Canada

Statement of Surplus and Fund Balances

Year ended September 30

2018

2017

	Restricted Funds		General Funds			
	RockRidge Fund	Scholarship Fund	Invested in Property and Equipment Fund	Unrestricted Fund (Schedule)		
Revenue						
Donations (Note 10)	\$ 1,197,356	\$ 356,847	\$ 1,800	\$ 6,729,877	\$ 8,285,880	\$ 12,504,003
Camping	980,135	-	-	406,941	1,387,076	1,401,622
Rental	1,410,842	-	-	-	1,410,842	1,263,670
Non-receiptable revenue	220,569	-	-	292,041	512,610	333,719
Merchandise	168,952	-	-	-	168,952	151,850
Government grants	-	-	-	53,575	53,575	184,413
Gain on sale of assets	-	-	21,911	-	21,911	7,757
Gain on dental self insurance	-	-	-	9,744	9,744	-
Gain on foreign exchange	-	-	-	7,370	7,370	4,527
Gain on sale of investments	-	-	-	97	97	-
	<u>3,977,854</u>	<u>356,847</u>	<u>23,711</u>	<u>7,499,645</u>	<u>11,858,057</u>	<u>15,851,561</u>
Expenses						
Salaries	968,051	-	-	4,297,707	5,265,758	5,185,278
Amortization	-	-	1,310,833	-	1,310,833	1,257,534
Employee benefits	177,156	-	-	865,201	1,042,357	1,033,263
Camping	-	-	-	893,617	893,617	927,365
Office and administration	226,117	-	-	514,239	740,356	698,996
Promotion	13,517	-	-	436,711	450,228	448,856
Food	371,930	-	-	-	371,930	365,256
Utilities	331,067	-	-	-	331,067	283,325
Program	27,095	-	-	289,724	316,819	290,987
Supplies and maintenance	276,146	-	-	-	276,146	254,527
Travel	42,962	-	-	190,426	233,388	236,426
Training and recruitment	22,941	-	-	160,021	182,962	189,729
Cost of merchandise sold	113,700	-	-	-	113,700	102,387
Interest	49,634	-	-	-	49,634	64,934
Relocation	636	-	-	644	1,280	18,529
Loss on foreign exchange	125	-	-	-	125	380
Loss on dental insurance	-	-	-	-	-	9,563
Loss on sale of investments	-	-	-	-	-	504
	<u>2,621,077</u>	<u>-</u>	<u>1,310,833</u>	<u>7,648,290</u>	<u>11,580,200</u>	<u>11,367,839</u>
Surplus (deficiency) of revenue over expenses	1,356,777	356,847	(1,287,122)	(148,645)	277,857	4,483,722
Unrealized gain on investments	-	-	-	970	970	24,073
Balance, beginning of the year	(1,831,476)	183,598	35,189,120	1,747,851	35,289,093	30,781,298
Internal transfer between funds (Note 8)	<u>(862,790)</u>	<u>(404,996)</u>	<u>976,362</u>	<u>291,424</u>	<u>-</u>	<u>-</u>
Balance, end of year	\$ <u>(1,337,489)</u>	\$ <u>135,449</u>	\$ <u>34,878,360</u>	\$ <u>1,891,600</u>	\$ <u>35,567,920</u>	\$ <u>35,289,093</u>

See accompanying notes and schedule to the financial statements.

Young Life of Canada Statement of Financial Position

September 30

2018

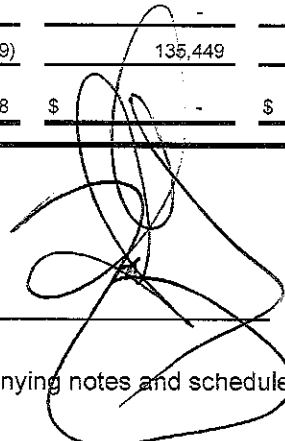
2017

	Restricted Funds		General Funds		2018	2017
	RockRidge Fund	Scholarship Fund	Invested in Property and Equipment Fund	Unrestricted Fund		
Assets						
Current						
Cash	\$ -	\$ -	\$ -	\$ 142,960	\$ 142,960	\$ 136,892
Accounts receivable	251,631	-	-	21,357	272,988	894,299
Inventory	42,894	-	-	-	42,894	62,690
Prepaid expenses	168,373	-	-	201,874	370,247	251,797
	462,898	-	-	366,191	829,089	1,345,678
Investments (Note 3)	-	-	-	11,275	11,275	189,544
Property and equipment (Note 4)	-	-	36,440,169	-	36,440,169	36,767,519
	\$ 462,898	\$ -	\$ 36,440,169	\$ 377,466	\$ 37,280,533	\$ 38,302,741
Liabilities						
Current						
Term debt (Note 5)	\$ -	\$ -	\$ 1,388,687	\$ -	\$ 1,388,687	\$ 2,051,404
Note payable	-	-	-	-	-	550,349
Payables and accruals (Note 6)	85,347	-	-	186,943	272,290	366,240
Deferred revenue (Note 7)	15,235	-	-	36,403	51,638	45,655
	100,582	-	1,388,687	223,346	1,712,615	3,013,648
Interfund payable (receivable)	1,699,805	(135,449)	173,122	(1,737,480)	(2)	-
	1,800,387	(135,449)	1,561,809	(1,514,134)	1,712,613	3,013,648
Net assets						
Restricted fund balances	(1,337,489)	135,449	-	-	(1,202,040)	(1,647,878)
Invested in property and equipment (Note 9)	-	-	34,878,360	-	34,878,360	35,189,120
Operating fund balance	-	-	-	1,891,600	1,891,600	1,747,851
	(1,337,489)	135,449	34,878,360	1,891,600	35,567,920	35,289,093
	\$ 462,898	\$ -	\$ 36,440,169	\$ 377,466	\$ 37,280,533	\$ 38,302,741

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

2018

2017

Increase (decrease) in cash

Operating

Surplus of revenue over expenses	\$ 277,857	\$ 4,483,722
Adjustments to determine cash flows:		
Amortization of property and equipment	1,310,833	1,257,534
Gain on sale of investments	(97)	504
Gain on sale of assets	(21,911)	(7,757)
Donated investments	(162,478)	(81,135)
	<u>1,404,204</u>	<u>5,652,868</u>
Change in non-cash working capital items		
Accounts receivable	621,311	1,005,163
Inventory	19,796	3,914
Prepaid expenses	(118,450)	(76,430)
Payables and accruals	(93,952)	(1,181,744)
Deferred revenue	5,983	18,852
	<u>1,838,892</u>	<u>5,422,623</u>

Financing

Repayment of term debt, net	(662,717)	(133,209)
Proceeds from note payable	(550,349)	550,349
	<u>(1,213,066)</u>	<u>417,140</u>

Investing

Proceeds from sale of investments	341,814	80,031
Proceeds from sale of assets	22,847	25,098
Purchase of investments	-	(286)
Purchase of property and equipment	(984,419)	(5,930,601)
	<u>(619,758)</u>	<u>(5,825,758)</u>

Increase in cash 6,068 14,005

Cash

Beginning of year	<u>136,892</u>	<u>122,887</u>
End of year	<u>\$ 142,960</u>	<u>\$ 136,892</u>

Young Life of Canada

Notes to the Financial Statements

September 30, 2018

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.

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.

Young Life of Canada

Notes to the Financial Statements

September 30, 2018

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.

Young Life of Canada

Notes to the Financial Statements

September 30, 2018

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 and payables and accruals.

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, 2018

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	2018	2017
Cash surrender value of life insurance policy	\$ 11,270	\$ 189,543
Marketable securities	5	1
	\$ 11,275	\$ 189,544

4. Property and equipment		2018	
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 4,447,000	\$ -	\$ 4,447,000
Lorne Lake dam	8,012,912	2,025,179	5,987,733
Buildings	40,237,838	15,477,243	24,760,595
Pool, challenge course & sound system	1,069,359	784,602	284,757
Zipline	133,728	68,070	65,658
Furniture and equipment	1,159,166	594,429	564,737
Vehicles and boats	577,688	258,320	319,368
Computer equipment	38,677	28,356	10,321
	\$ 55,676,368	\$ 19,236,199	\$ 36,440,169
			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
	\$ 55,016,136	\$ 18,248,617	\$ 36,767,519

Young Life of Canada

Notes to the Financial Statements

September 30, 2018

5. Term debt	<u>2018</u>	<u>2017</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, 2019.	\$ 568,687	\$ 643,299
Variable rate line of credit, secured by land, bearing interest at Royal Bank prime plus 0.70% per annum, payable on demand.	820,000	1,408,105
	<u>\$ 1,388,687</u>	<u>\$ 2,051,404</u>

6. Payables and accruals

Included in payables and accruals are government remittances payable of \$45,716 (2017: \$37,618).

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>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 45,655	\$ 26,803
Add amounts received in the year	443,691	268,654
Less amounts recognized as revenue in the year	(437,708)	(249,802)
Balance, end of year	<u>\$ 51,638</u>	<u>\$ 45,655</u>

8. Interfund transfers

The RockRidge Fund transferred \$968,056 (2017: \$5,884,341) to the Invested in Property and Equipment Fund for continued construction of the RockRidge Canyon property and for Champion projects. A further \$121,317 (2017: \$109,456) was transferred to the Unrestricted Fund for national office charges and internal financing.

The Unrestricted Fund transferred \$11,154 (2017: \$21,161) to the Invested in Property and Equipment Fund for equipment purchases. A further \$78,389 (2017: \$114,951) was transferred to the RockRidge Fund to cover costs associated with Young Life meetings and events held at RockRidge. A total of \$145,346 (2017: \$260,738) of Capital Campaign proceeds were transferred to the RockRidge Fund to reduce accumulated internal debt.

The Scholarship Fund transferred \$404,996 (2017: \$262,789) to the Unrestricted Fund to assist with camping activities.

The Property and Equipment Fund transferred \$2,848 (2017: \$Nil) to the RockRidge Fund to assist with the purchase of other equipment.

Young Life of Canada

Notes to the Financial Statements

September 30, 2018

9. Net assets invested in property and equipment

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

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 35,189,122	\$ 30,531,597
Donations	1,800	1,800
Proceeds from sale of assets	21,911	25,098
Property and equipment additions, net	976,361	5,888,161
Amortization of property and equipment	<u>(1,310,833)</u>	<u>(1,257,534)</u>
Balance, end of year	<u>\$ 34,878,361</u>	<u>\$ 35,189,122</u>

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 \$1,942,738 (2017: \$5,971,082) from related parties during the year. These transactions are recorded at the exchange amount as agreed to by the related parties.

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 \$685,199 (2017: \$802,018) of donations from the Foundation.

At year-end, accounts receivable included \$Nil (2017: \$28,560) 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, 2018 and the year then ended is as follows:

	<u>2018</u>	<u>2017</u>
Financial position		
Total net assets	<u>\$ 732</u>	<u>\$ (27,147)</u>
Results of operations		
Total revenue	\$ 742,166	\$ 1,095,063
Total expenses	<u>714,287</u>	<u>827,322</u>
Surplus of revenue over expenses	<u>\$ 27,879</u>	<u>\$ 267,741</u>
Cash flows		
Cash from operations	<u>\$ (881)</u>	<u>\$ 882</u>
Increase in cash	<u>\$ (881)</u>	<u>\$ 882</u>

Young Life of Canada

Notes to the Financial Statements

September 30, 2018

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.

13. Commitments

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

2019	\$	74,581
2020		74,581
2021		77,428
2022		79,462
2023		72,841

14. Financial instruments

The carrying amounts of financial assets measured at amortized cost are \$415,948 as at September 30, 2018 (September 30, 2017: \$1,031,191).

The carrying amounts of financial liabilities measured at amortized cost are \$1,660,977 as at September 30, 2018 (September 30, 2017: \$2,967,993).

The carrying amounts of financial assets measured at fair value are \$11,275 as at September 30, 2018 (September 30, 2017: \$189,544).

Young Life of Canada

Schedule of General Unrestricted Fund

Year ended September 30

2018

2017

	2018	2017
Revenue		
Donations	\$ 6,729,877	\$ 6,582,866
Camping	406,941	569,859
Fundraisers	292,041	331,588
Government grants	53,575	170,010
Gain on dental self insurance	9,744	-
Gain on foreign exchange	7,370	4,527
Gain on sale of investments	97	-
	<u>7,499,645</u>	<u>7,658,850</u>
Expenses		
Salaries	4,297,707	4,281,869
Camping	893,617	927,365
Employee benefits	865,201	878,174
Office and administration	514,239	502,232
Promotion	436,711	428,332
Program	289,724	257,319
Travel	190,426	165,873
Training and recruitment	160,021	174,701
Relocation	644	4,132
Loss on sale of assets	-	9,563
Loss on sale of investments	-	504
	<u>7,648,290</u>	<u>7,630,064</u>
(Deficiency) excess of revenue over expenses	<u>\$ (148,645)</u>	<u>\$ 28,786</u>