

YOUTH WITH A MISSION (BC) SOCIETY
Financial Statements
December 31, 2018

YOUTH WITH A MISSION (BC) SOCIETY
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Year Ended December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of Youth with a Mission (BC) Society

Report on the Financial Statements

Opinion

We have audited the financial statements of Youth with a Mission (BC) Society (the "Society"), which comprise the statement of financial position as at December 31, 2018, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that Youth with a Mission (BC) Society adopted Canadian accounting standards for not-for-profit organizations on January 1, 2018 with a transition date of January 1, 2017. 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, 2017 and January 1, 2017 and the statements of changes in net assets, operations and cash flows for the year ended December 31, 2017 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Other Matter

The comparative December 31, 2017 figures were prepared by another firm of chartered professional accountants who expressed no assurance on those statements and issued a Notice to Reader Report dated June 29, 2018. Our audit work was limited to the current year's balances and transactions as required. We have not completed any audit work on the comparative figures.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, these standards have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Burnaby, British Columbia
June 18, 2019


Chartered Professional Accountants

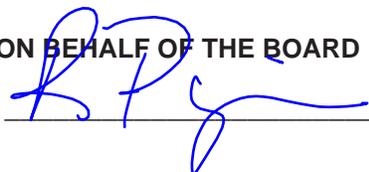
YOUTH WITH A MISSION (BC) SOCIETY
Statement of Financial Position
December 31, 2018

	December 31 2018	December 31 2017 (Note 2)	2017 (Note 2)
ASSETS			
CURRENT			
Cash	\$ 1,114,319	\$ 684,215	\$ 2,158,907
Accounts receivable	27,375	786,546	19,683
Recoverable from government authorities - GST	25,292	14,202	-
Prepaid expenses	13,093	2,469	13,223
Loan receivable	20,000	-	-
Investment (Note 4)	81,920	81,920	160,000
	1,281,999	1,569,352	2,351,813
BUILDING DEPOSIT	21,585	21,585	21,585
DUE FROM RELATED PARTY (Note 5)	165,701	105,007	-
CAPITAL ASSETS (Note 6)	112,464	97,482	30,925
	\$ 1,581,749	\$ 1,793,426	\$ 2,404,323
LIABILITIES AND NET ASSETS			
CURRENT			
Accounts payable	\$ 13,381	\$ 11,425	\$ 6,976
Deferred contributions (Note 7)	207,516	101,898	733,251
Unearned revenue	84,337	38,902	34,499
	305,234	152,225	774,726
NET ASSETS - page 4 Unrestricted	1,276,515	1,641,201	1,629,597
	\$ 1,581,749	\$ 1,793,426	\$ 2,404,323

GUARANTEE (Note 9)

LEASE COMMITMENTS (Note 10)

ON BEHALF OF THE BOARD



Director

Director

See notes to financial statements

YOUTH WITH A MISSION (BC) SOCIETY
Statement of Changes in Net Assets
Year Ended December 31, 2018

	2018	2017 <i>(Note 2)</i>
NET ASSETS - BEGINNING OF YEAR	\$ 1,641,201	\$ 1,629,597
Excess (deficiency) of revenue over expenses - page 5	<u>(364,686)</u>	<u>11,604</u>
NET ASSETS - END OF YEAR - page 3	<u>\$ 1,276,515</u>	<u>\$ 1,641,201</u>

YOUTH WITH A MISSION (BC) SOCIETY**Statement of Operations****Year Ended December 31, 2018**

	2018	2017 <i>(Note 2)</i>
REVENUE		
Contributions	\$ 13,923,691	\$ 13,704,087
Program revenue	379,026	474,439
Administrative fees	102,000	93,500
Foreign exchange gains	26,748	9,905
Gain on incorporation of Global Gateway	10,000	-
Interest income	1,069	245
	<u>14,442,534</u>	<u>14,282,176</u>
EXPENSES		
Sub-contractors	13,797,229	13,329,880
Program expenses	391,524	244,405
Rent	247,652	241,975
Training	77,149	59,980
Office	71,495	91,187
Travel	42,832	32,011
Insurance, licenses and fees	36,242	34,379
Professional fees	36,180	24,678
Telephone	30,190	28,814
Amortization	27,869	15,779
Donations	15,040	13,517
Interest and bank charges	14,561	40,065
Repairs and maintenance	10,369	12,544
Hospitality	5,015	11,929
Advertising	3,873	11,349
	<u>14,807,220</u>	<u>14,192,492</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS	(364,686)	89,684
OTHER EXPENSES		
Loss on investment	-	(78,080)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES - page 4	\$ (364,686)	\$ 11,604

YOUTH WITH A MISSION (BC) SOCIETY**Statement of Cash Flows****Year Ended December 31, 2018**

	2018	2017 <i>(Note 2)</i>
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ (364,686)	\$ 11,604
Items not affecting cash:		
Amortization	27,869	15,779
Loss on investment	-	78,080
	<u>(336,817)</u>	<u>105,463</u>
Changes in non-cash working capital:		
Accounts receivable	759,171	(766,863)
Recoverable from government authorities - GST	(11,090)	(14,202)
Accounts payable	1,958	4,448
Prepaid expenses	(10,624)	10,754
Deferred contributions	105,618	(631,353)
Unearned revenue	45,435	4,403
	<u>890,468</u>	<u>(1,392,813)</u>
Cash flow from (used by) operating activities	<u>553,651</u>	<u>(1,287,350)</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(42,853)	(82,335)
Increase in loan receivable	(20,000)	-
	<u>(62,853)</u>	<u>(82,335)</u>
Cash flow used by investing activities	<u>(62,853)</u>	<u>(82,335)</u>
FINANCING ACTIVITY		
Advances to related party	(60,694)	(105,007)
	<u>(60,694)</u>	<u>(105,007)</u>
INCREASE (DECREASE) IN CASH FLOW	430,104	(1,474,692)
Cash - beginning of year	<u>684,215</u>	<u>2,158,907</u>
CASH - END OF YEAR	\$ 1,114,319	\$ 684,215
CASH CONSISTS OF:		
Unrestricted Cash	\$ 906,803	\$ 582,317
Externally restricted cash	<u>207,516</u>	<u>101,898</u>
	\$ 1,114,319	\$ 684,215

See notes to financial statements

YOUTH WITH A MISSION (BC) SOCIETY

Notes to Financial Statements

Year Ended December 31, 2018

1. PURPOSE OF THE SOCIETY

The purpose of the Society is to actively involve youth in ministry and outreach work across the world through evangelism, discipleship training, and mercy ministries.

The Society is incorporated under the Societies Act of British Columbia and is a registered charity under the Income Tax Act and as such is exempt from income taxes.

2. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

During the year, the Society adopted Canadian Accounting Standards for Not-for-Profit Organizations ("ASNFP"). These financial statements are the first prepared in accordance with these standards. The adoption of ASNFP resulted in several changes to assets, liabilities and net assets as at January 1, 2017 as previously reported in accordance with pre-changeover Canadian generally accepted accounting principles. These adjustments are described below.

a) The balance of net assets at January 1, 2017 was adjusted as follows:

Net assets, beginning, as previously reported	\$ 2,371,116
Adjustments to beginning net assets:	
Deferred contributions for 2016 not recognized	(733,251)
Unearned program revenue for 2016 not recognized	(34,499)
Gross up of capital assets for cost and accumulated amortization	3,360
Island Breeze Manitoba branch not previously included	20,787
Accrual of receivables and payables for Urban Ministries branch	2,084
Net assets, beginning, as restated.	<u>\$ 1,629,597</u>

Details of the above adjustments are as follows:

Previously, the Society did not defer externally restricted contributions and unearned revenue. To account for this policy change, opening deferred contributions increased by \$733,251, opening unearned revenue increased by \$34,499 and opening net assets decreased by \$767,750.

The 2017 opening capital asset balance was understated by \$3,360. To correct for this error, the opening balances of both capital assets and net assets increased by \$3,360.

The Society previously did not include Island Breeze Manitoba branch in the financial statements. To correct this error, opening net assets and cash both increased by \$20,787.

One of the Society's branches uses the cash basis of accounting rather than accrual accounting. To account for this policy change, both the opening net assets and accrued receivables increased by \$2,084.

(continues)

YOUTH WITH A MISSION (BC) SOCIETY

Notes to Financial Statements

Year Ended December 31, 2018

2. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS (continued)

b) Excess of revenue over expenses for the year ended December 31, 2017 which was not previously reported using Canadian generally accepted accounting principles, has been restated as follows:

	<i>December 31</i> 2017	Adjustment	Restated
Revenue	\$ 12,850,354	\$ 1,480,142	\$ 14,330,496
Expenses	(14,264,674)	(54,218)	(14,318,892)
Excess of revenue over expenses from operations	\$ (1,414,320)	\$ 1,425,924	\$ 11,604

Details of the above adjustments are as follows:

i) Previously, the Society did not defer externally restricted contributions and unearned revenue. To account for this policy change, deferred contributions decreased by \$631,353, contributions revenue increased by \$631,353, unearned revenue increased by \$4,403 and program revenue decreased by \$4,403.

ii) Expenses attributable to Youth With A Mission Foundation's activities that were paid for by the Society in the previous year were not recognized in 2017. To account for this, administrative fees have been applied to 2017, resulting in an increase of \$93,500 to administrative fees revenue and an increase of \$93,500 to due from related party.

iii) The Society previously did not include the activity of the Island Breeze Manitoba branch in the financial statements. To correct this error, contributions revenue and cash increased by \$8,377.

iv) In 2017 an impairment to the investment occurred that was not recorded, thereby overvaluing the investment and understating expenses. To correct for this, loss on investment increased by \$78,080 and the investment balance decreased by \$78,080 for the impairment allowance.

v) The Society expensed a large recoverable portion of the GST that it paid on disbursements during 2017. To correct for this error, the recoverable from government authorities – GST increased by \$12,355 and office expense decreased by \$12,355.

vi) In 2017 the Society expensed several disbursements that were actually incurred on behalf of Youth With A Mission Foundation, thereby overstating the expenses. To correct for this error, subcontractors and rent expenses decreased by \$11,507 and due from related party increased by \$11,507.

vii) During 2017 payments using the Society's unrestricted cash were made to subcontractors for restricted contributions received in Youth With A Mission Foundation but the cash receipt of those restricted donations to the Society was delayed until 2018. To account for these contributions that became receivable upon the disbursement of the related restricted program expenses, accounts receivable increased by \$751,315 and contributions revenue increased by \$751,315.

c) No statement of cash flows was prepared for the year ended December 31, 2017 and so no details of adjustments are provided.

YOUTH WITH A MISSION (BC) SOCIETY

Notes to Financial Statements

Year Ended December 31, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNFPO").

Revenue recognition

Youth with a Mission (BC) Society (the "Society") follows the deferral method of accounting for contributions.

Externally 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.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Program revenues are recognized as revenue when the related program services are provided with any payments received in advance of service delivery recorded as unearned revenue.

Sub-contractors expense

The sub-contractors expense represents payments made to missionaries and other Youth With A Mission organizations that perform ministry and outreach work as outlined under their contracts and agency agreements with the Society. The actual costs of the project work are the responsibility of the sub-contractors.

Cash and cash equivalents

Any term deposits or similar contractual instruments that are cashable and have a maturity term of three months or less are classified as cash equivalents.

Investment

The investment is recorded at cost less an impairment allowance and has been classified as a long term asset as it is not capable of prompt liquidation. For additional details, see *Note 4*.

Capital assets

Capital assets purchased are stated at cost less accumulated amortization. Amortization is provided at various rates and methods designed to amortize the assets over the estimated useful lives as follows:

Furniture and equipment	20%	declining balance method
Leasehold improvements	5 years	straight-line method
Vehicles	30%	declining balance method
Computer equipment	30%	declining balance method

Current year additions for capital assets amortized on declining balance method are amortized at one-half the normal rate. Current year additions for capital assets amortized on straight-line method are amortized over the months the asset is available for use.

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YOUTH WITH A MISSION (BC) SOCIETY

Notes to Financial Statements

Year Ended December 31, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contributed services and materials

The Society relies on numerous volunteers to carry out its ministry. Because of the difficulty of determining the value of these services, they are not recognized in the financial statements.

Contributed materials or gifts-in-kind are only recognized when their fair value is reasonably determinable and significant, with such items recorded at fair value on the date of the contribution. There were no gifts-in-kind received for the year (2017 - \$NIL).

Foreign currency translation

All monetary assets and liabilities of operations denominated in currencies other than Canadian dollars have been translated into Canadian dollars at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated at historical exchange rates, unless such items are carried at market, in which case they are translated at the rate of exchange in effect at the statement of financial position date. Gains and losses resulting from the translation of assets and liabilities are reflected in excess of revenue over expenses of the year.

Revenue and expense accounts are translated at the current rate of exchange at the time of the transaction.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. A significant area requiring the use of management estimates relates to the determination of the investment impairment allowance (*Note 4*) as the recoverable amount was determined based on valuation report issued in 2017 and additional confirmation of the share values provided by the investee. As the shares are privately held, their fair value is not easily determinable.

4. INVESTMENT

	2018	2017 <i>(Note 2)</i>
Preferred shares of privately held Mortgage Investment Corporation	\$ 160,000	\$ 160,000
Impairment allowance	(78,080)	(78,080)
	\$ 81,920	\$ 81,920

YOUTH WITH A MISSION (BC) SOCIETY
Notes to Financial Statements
Year Ended December 31, 2018

5. RELATED PARTY TRANSACTIONS AND DUE FROM RELATED PARTY

The following is a summary of the Society's related party transactions:

	2018	2017 <i>(Note 2)</i>
<u>Related party transactions</u>		
Youth With A Mission Foundation <i>(Related by common directors)</i>		
Contributions revenue	\$ 13,849,627	\$ 12,576,338
Administrative fees revenue	102,000	93,500
	<u>\$ 13,951,627</u>	<u>\$ 12,669,838</u>
Mission Ministries Canada <i>(Related by common directors)</i>		
Donations expense	\$ (5,285)	\$ -
Youth With A Mission (Canada) Inc. <i>(Related by common directors)</i>		
Donations expense	\$ (5,643)	\$ -

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Due from related party

Youth With A Mission Foundation	<u>\$ 165,701</u>	<u>\$ 105,007</u>
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Amounts due from the related party are non-interest bearing and have no set repayment terms. Due to the ability of the common directors to override any demand to pay, the balance is presented as a long term asset.

Included in accounts receivable for 2017 are \$751,315 of contributions receivable from Youth With A Mission Foundation.

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value <i>(Note 2)</i>
Furniture and equipment	\$ 88,286	\$ 23,331	\$ 64,955	\$ 49,390
Leasehold improvements	49,296	14,566	34,730	29,858
Vehicles	46,112	33,731	12,381	17,688
Computer equipment	2,000	1,602	398	546
	<u>\$ 185,694</u>	<u>\$ 73,230</u>	<u>\$ 112,464</u>	<u>\$ 97,482</u>

YOUTH WITH A MISSION (BC) SOCIETY

Notes to Financial Statements

Year Ended December 31, 2018

7. DEFERRED CONTRIBUTIONS

Deferred contributions are donations received during the current or prior years that are externally restricted by the donor for various projects and are unspent at year-end. These contributions will be recognized as revenue in the year when the Society gifts them to qualified donees.

	2018	2017 <i>(Note 2)</i>
Balance, beginning of year	\$ 101,898	\$ 733,251
Restricted contributions received during the year	13,932,334	11,034,182
Payments for subcontractors and other project expenses	<u>(13,826,716)</u>	<u>(11,665,535)</u>
Balance, end of year	<u>\$ 207,516</u>	<u>\$ 101,898</u>

8. FINANCIAL INSTRUMENTS

All financial instruments are initially recorded at their fair market value. Publicly traded equity instruments quoted in an active market are subsequently measured at fair value with any unrealized gains or losses and transaction costs recognized in net excess (deficiency) of revenue over expenses. All other financial instruments are adjusted for any transaction costs incurred on acquisition and are subsequently measured at their amortized cost. Financial instrument impairments and impairment reversals are recognized when incurred in net excess (deficiency) of revenue over expenses.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Society is exposed to credit risk for its foreign-held cash and investment. Exposures to credit risk and significant changes to the risk exposure from the prior year are as follows:

- The investment consists of preferred shares of a privately held mortgage investment corporation. The investment is unsecured, has no insurance coverage and has undergone significant financial difficulties in the past few years with redemption requests subject to restrictions due to a lawsuit and other factors. The recovery of the net value remaining after an impairment provision (*Note 4*) is subject to a high level of credit risk.

Currency risk

Currency risk is the risk that the Society's fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates due to volatility caused by external factors. The Society is exposed to moderate currency risk and its effect on the exchange gain or loss for the year on cash held in U.S. dollar bank accounts totaling approximately \$361,126 at year-end (2017 - \$411,436).

YOUTH WITH A MISSION (BC) SOCIETY

Notes to Financial Statements

Year Ended December 31, 2018

9. GUARANTEE

The Society previously agreed to the provision of an indemnification guarantee up to a maximum of \$100,000 for a credit union loan held by another charity should the loan become a bad debt or payments be missed. The guarantee was originally entered into when the other charity was a branch of the Society before incorporating later in 2018, but the guarantee was not removed at that time. As at December 31, 2018 the loan was still outstanding and no claims had been made by the credit union.

10. LEASE COMMITMENTS

The Society has a lease with respect to its premises, expiring February 28, 2022. Future minimum lease payments as at December 31, 2018, are as follows:

2019	\$	58,045
2020		61,201
2021		63,856
2022		10,716
		<hr/>
	\$	193,818

11. DIRECTOR REMUNERATION

In accordance with the Societies Act of British Columbia, the Society is required to disclose that the Directors were compensated as follows:

Treasurer/Secretary (sub-contract payments)	\$	21,986
Director (sub-contract payments)		17,683
President (sub-contract payments)		13,798
Director (sub-contract payments)		11,250
		<hr/>
	\$	64,717

12. REMUNERATION DISCLOSURE

In accordance with the Societies Act of British Columbia, the Society is required to disclose that the 3 highest paid individuals and persons under a contract for services that each exceeded \$75,000 of annual remuneration were paid a total sum of \$427,716.

13. FINANCIAL ASSISTANCE

In accordance with the Societies Act of British Columbia, the Society is required to disclose that the Society provided financial assistance during the year by extending a \$20,000 loan to another charity. The loan is unsecured, non-interest bearing and without any specific repayment terms. The loan is expected to be repaid in full within the next year and as such it is presented as a current asset.
