



YOUTH FOR CHRIST/USA, INC.
AND AFFILIATE

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2022 and 2021

YOUTH FOR CHRIST/USA, INC. AND AFFILIATE

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Youth for Christ/USA, Inc. and Affiliate
Englewood, Colorado

Opinion

We have audited the accompanying consolidated financial statements of Youth for Christ/USA, Inc. and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Youth for Christ/USA, Inc. and Affiliate as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Youth for Christ/USA, Inc. and Affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 10 to the consolidated financial statements, Youth for Christ/USA, Inc. and Affiliate identified an adjustment pertaining to receivables, revenue, and change in net assets for the year ended June 30, 2021. Accordingly, these amounts for year ended June 30, 2021 have been restated to reflect this change. Our opinion has not been modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Board of Directors
Youth for Christ/USA, Inc. and Affiliate
Englewood, Colorado

Responsibilities of Management for the Consolidated Financial Statements, continued

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Youth for Christ/USA, Inc. and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- 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 Youth for Christ/USA, Inc. and Affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Youth for Christ/USA, Inc. and Affiliate's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

Capin Crouse LLP

Centennial, CO
October 10, 2022

YOUTH FOR CHRIST/USA, INC. AND AFFILIATE

Consolidated Statements of Financial Position

	June 30,	
	2022	2021 (Restated)
ASSETS:		
Cash and cash equivalents	\$ 7,499,910	\$ 6,701,200
Cash held for board designations	3,071,620	3,189,414
Accounts and other receivables—net	447,781	130,600
Employee Retention Credit receivable	659,728	654,066
Prepaid expenses and other assets	545,589	458,070
Promises-to-give	673,000	1,273,000
Investments	562,427	626,797
Investments held for quasi-endowment	1,285,735	-
Investment in Captive Insurance Company	1,682,083	2,531,617
Land, buildings, and equipment—net	1,101,140	1,157,208
	<u>\$ 17,529,013</u>	<u>\$ 16,721,972</u>
Total Assets	<u>\$ 17,529,013</u>	<u>\$ 16,721,972</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 348,658	\$ 195,613
Accrued expenses and other liabilities	245,590	304,719
Deferred income	1,797,635	1,469,182
Total liabilities:	<u>2,391,883</u>	<u>1,969,514</u>
Net assets:		
Without donor restrictions	12,661,808	11,732,522
With donor restrictions	2,475,322	3,019,936
Total net assets:	<u>15,137,130</u>	<u>14,752,458</u>
Total Liabilities and Net Assets	<u>\$ 17,529,013</u>	<u>\$ 16,721,972</u>

See notes to consolidated financial statements

YOUTH FOR CHRIST/USA, INC. AND AFFILIATE

Consolidated Statements of Activities

	Year Ended June 30,					
	2022			2021 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 6,015,240	\$ 3,614,758	\$ 9,629,998	\$ 4,508,433	\$ 2,992,814	\$ 7,501,247
Government grant	-	-	-	-	1,809,228	1,809,228
Insurance premiums from chapters	1,835,198	-	1,835,198	1,727,592	-	1,727,592
Dues from chapters	1,563,664	-	1,563,664	1,561,134	-	1,561,134
Event income	856,705	-	856,705	101,040	-	101,040
Employee Retention Credit income	659,728	-	659,728	654,066	-	654,066
Loss on investment in Captive Insurance Company	(599,534)	-	(599,534)	(18,459)	-	(18,459)
Program and other revenue	153,473	9,967	163,440	412,189	-	412,189
Total Support and Revenue	10,484,474	3,624,725	14,109,199	8,945,995	4,802,042	13,748,037
NET ASSETS RELEASED FROM:						
Purpose restrictions	3,169,339	(3,169,339)	-	3,997,344	(3,997,344)	-
Time restrictions	1,000,000	(1,000,000)	-	578,300	(578,300)	-
	4,169,339	(4,169,339)	-	4,575,644	(4,575,644)	-

(continued)

See notes to consolidated financial statements

YOUTH FOR CHRIST/USA, INC. AND AFFILIATE

Consolidated Statements of Activities (continued)

	Year Ended June 30,					
	2022			2021 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES:						
Program services:						
Chapter services	3,624,254	-	3,624,254	2,071,907	-	2,071,907
Field leadership	2,590,460	-	2,590,460	2,520,482	-	2,520,482
Chapter launches	2,896,759	-	2,896,759	2,221,956	-	2,221,956
Risk management	1,841,827	-	1,841,827	1,631,302	-	1,631,302
	<u>10,953,300</u>	<u>-</u>	<u>10,953,300</u>	<u>8,445,647</u>	<u>-</u>	<u>8,445,647</u>
Supporting activities:						
General and administrative	2,005,934	-	2,005,934	1,901,228	-	1,901,228
Fundraising	765,293	-	765,293	778,707	-	778,707
	<u>2,771,227</u>	<u>-</u>	<u>2,771,227</u>	<u>2,679,935</u>	<u>-</u>	<u>2,679,935</u>
Total Expenses	<u>13,724,527</u>	<u>-</u>	<u>13,724,527</u>	<u>11,125,582</u>	<u>-</u>	<u>11,125,582</u>
Change in Net Assets	929,286	(544,614)	384,672	2,396,057	226,398	2,622,455
Net Assets, Beginning of Year	<u>11,732,522</u>	<u>3,019,936</u>	<u>14,752,458</u>	<u>9,336,465</u>	<u>2,793,538</u>	<u>12,130,003</u>
Net Assets, End of Year	<u>\$ 12,661,808</u>	<u>\$ 2,475,322</u>	<u>\$ 15,137,130</u>	<u>\$ 11,732,522</u>	<u>\$ 3,019,936</u>	<u>\$ 14,752,458</u>

See notes to consolidated financial statements

YOUTH FOR CHRIST/USA, INC. AND AFFILIATE

Consolidated Statements of Functional Expenses

	Year Ended June 30, 2022								
	Program Services:				Supporting Activities:				
	Chapter Services	Field Leadership	Chapter Launches	Risk Management	Total Program Services	General and Admin- istrative	Fundraising	Total Supporting Activities	Total Expenses
Salaries and benefits	\$ 1,414,551	\$ 1,800,303	\$ 2,573,583	\$ 403,690	\$ 6,192,127	\$ 1,294,522	\$ 577,157	\$ 1,871,679	\$ 8,063,806
Movement insurance	-	-	-	1,324,490	1,324,490	26,604	-	26,604	1,351,094
Professional fees	554,718	308,727	40,294	51,709	955,448	302,455	17,397	319,852	1,275,300
Facility rental and food	536,289	191,470	48,900	-	776,659	1,647	55,521	57,168	833,827
Facilities and equipment	370,509	26,560	22,613	3,892	423,574	164,729	15,572	180,301	603,875
Travel	163,600	235,543	82,480	16,394	498,017	55,375	-	55,375	553,392
Office supplies and other	58,073	24,756	120,941	41,290	245,060	156,214	96,466	252,680	497,740
Grants to others	486,217	-	1,724	-	487,941	-	1,484	1,484	489,425
Depreciation and amortization	40,297	3,101	6,224	362	49,984	4,388	1,696	6,084	56,068
Total 2022 Expenses	<u><u>\$ 3,624,254</u></u>	<u><u>\$ 2,590,460</u></u>	<u><u>\$ 2,896,759</u></u>	<u><u>\$ 1,841,827</u></u>	<u><u>\$ 10,953,300</u></u>	<u><u>\$ 2,005,934</u></u>	<u><u>\$ 765,293</u></u>	<u><u>\$ 2,771,227</u></u>	<u><u>\$ 13,724,527</u></u>

See notes to consolidated financial statements

YOUTH FOR CHRIST/USA, INC. AND AFFILIATE

Consolidated Statements of Functional Expenses

Year Ended June 30, 2021 (Restated)

	Program Services:				Supporting Activities:				Total Expenses
	Chapter Services	Field Leadership	Chapter Launches	Risk Management	Total Program Services	General and Administrative	Fundraising	Total Supporting Activities	
Salaries and benefits	\$ 1,216,462	\$ 2,056,881	\$ 2,013,080	\$ 348,553	\$ 5,634,976	\$ 1,280,525	\$ 634,883	\$ 1,915,408	\$ 7,550,384
Movement insurance	31	50	129	1,151,610	1,151,820	30	14	44	1,151,864
Professional fees	420,372	214,706	58,790	120,650	814,518	243,495	5,910	249,405	1,063,923
Facility rental and food	45,312	54,575	4,587	-	104,474	5,348	9,514	14,862	119,336
Facilities and equipment	275,672	29,040	34,718	3,342	342,772	255,862	12,072	267,934	610,706
Travel	29,024	137,628	39,866	676	207,194	22,238	457	22,695	229,889
Office supplies and other	17,398	24,887	56,899	6,184	105,368	90,249	111,722	201,971	307,339
Grants to others	35,674	256	8,950	-	44,880	-	2,789	2,789	47,669
Depreciation and amortization	31,962	2,459	4,937	287	39,645	3,481	1,346	4,827	44,472
Total 2021 Expenses	\$ 2,071,907	\$ 2,520,482	\$ 2,221,956	\$ 1,631,302	\$ 8,445,647	\$ 1,901,228	\$ 778,707	\$ 2,679,935	\$ 11,125,582

See notes to consolidated financial statements

YOUTH FOR CHRIST/USA, INC. AND AFFILIATE

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2022	2021 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 384,672	\$ 2,622,455
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	56,068	44,472
Loss on investment in Captive Insurance Company	599,534	18,459
Net realized and unrealized investment (gains) losses	366,970	(5,944)
Bad debt related to promises-to-give	55,000	-
Recognition of Paycheck Protection Program income	-	(1,809,228)
Change in operating assets and liabilities:		
Accounts and other receivables–net	(317,181)	54,895
Employee Retention Credit receivable	(5,662)	(654,066)
Prepaid expenses and other assets	(87,519)	(97,618)
Promises-to-give	545,000	(166,700)
Accounts payable	153,045	86,221
Accrued expenses and other liabilities	(59,129)	36,523
Deferred income	328,453	283,582
Net Cash Provided by Operating Activities	2,019,251	413,051
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of land, buildings, and equipment	-	(31,984)
Purchases of investments and reinvested interest and dividends	(1,588,335)	(46,865)
Dividend from investment in Captive Insurance Company	250,000	348,013
Proceeds from sale of investments	-	-
Net Cash Provided (Used) by Investing Activities	(1,338,335)	269,164
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan	-	1,599,199
Principal payments on debt borrowings	-	(157,639)
Net Cash Provided by Financing Activities	-	1,441,560
Change in Cash, Cash Equivalents, and Board Designated Cash	680,916	2,123,775
Cash, Cash Equivalents, and Board Designated Cash, Beginning of Year	9,890,614	7,766,839
Cash, Cash Equivalents, and Board Designated Cash, End of Year	\$ 10,571,530	\$ 9,890,614

(continued)

See notes to consolidated financial statements

YOUTH FOR CHRIST/USA, INC. AND AFFILIATE

Consolidated Statements of Cash Flows

(continued)

	Year Ended June 30,	
	2022	2021 (Restated)
CASH, CASH EQUIVALENTS, AND BOARD DESIGNATED CASH CONSISTS OF:		
Cash and cash equivalents	\$ 7,499,910	\$ 6,701,200
Cash held for board designations	<u>3,071,620</u>	<u>3,189,414</u>
	<u>\$ 10,571,530</u>	<u>\$ 9,890,614</u>
SUPPLEMENTAL DISCLOSURE:		
Forgiveness of Paycheck Protection Program loan	<u>\$ -</u>	<u>\$ 1,809,228</u>

See notes to consolidated financial statements

YOUTH FOR CHRIST/USA, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2022 and 2021 (Restated)

1. NATURE OF ORGANIZATION:

Youth for Christ/USA, Inc. (YFC) is a not-for-profit corporation striving to reach young people everywhere, working together with the local church and other like-minded partners to raise up lifelong followers of Jesus who lead by their godliness in lifestyle, devotion to the Word of God and prayer, passion for sharing the love of Christ, and commitment to social involvement.

YFC aims to both demonstrate and communicate messages of hope, grace and love in a variety of different cultural settings, pursuing teens in personal, authentic, Christ-sharing relationships. The organization works through chapters nationwide to support work in communities, engaging in relationship with 11-19 year-olds in rural and urban settings alike, spreading the redemption message of Jesus Christ. At a national level, YFC delivers resources and training to empower these local leaders and overseas missionaries in reaching out to teens everywhere who need to hear about the love of Jesus.

YFC has four primary programs:

- Chapter services: Services for chapters, including YFC Camp, marketing, and technology
- Field leadership: Activates of YFC dedicated to supporting charter chapters, this includes ministry support, training, and professional development
- Chapter launches: Supporting local YFC chapter startups that are in incubation to become chartered chapters
- Risk management: Function dedicated to insuring and protecting the mission

YFC is exempt from income tax under section 501(c)(3) of the United States Internal Revenue Code (the Code) and comparable state law, and contributions to YFC are tax deductible within the limitations prescribed by the Code. YFC has been classified as an Association of Churches and a publicly supported organization, which is not a private foundation under section 509(a) of the Code.

YFC Resources Inc. (YFCR) is a wholly-owned subsidiary of YFC which was created to sell YFC's branded merchandise. YFCR's activity is consolidated within the financial statements of YFC. YFC and YFCR are collectively referred to as YFC/USA in these consolidated financial statements. The primary source of support and revenue for YFC/USA is contributions, which are tax-deductible for income tax purposes.

YOUTH FOR CHRIST/USA, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2022 and 2021 (Restated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

YFC/USA maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the consolidated financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held in checking accounts, money market accounts, and petty cash on hand. YFC/USA maintains their cash in accounts at high quality financial institutions. The balances, at times, may exceed federally insured limits. As of June 30, 2022 and 2021, the cash accounts, including restricted cash, exceeded federally insured limits by approximately \$9,701,000 and \$9,185,000, respectively. YFC/USA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

CASH HELD FOR BOARD DESIGNATIONS

Cash held for board designations consists of funds designated by the board for risk management.

ACCOUNTS AND OTHER RECEIVABLES

Accounts and other receivables consist primarily of amounts due from chapters for risk management services and administrative fees. Management's estimate of uncollectible accounts is based upon an analysis of past due accounts, which takes into consideration historical collections. For significant past due accounts, YFC/USA works with the chapters to create financial arrangements to pay the balance. Accounts are written off when all methods to collect have been exhausted.

EMPLOYEE RETENTION CREDIT RECEIVABLE

As a response to the coronavirus pandemic, during the year ended June 30, 2022, YFC/USA qualified and applied for the employee retention credit (ERC). The credits are related to the years ended June 30, 2022 and 2021. See Note 10 for a description of the prior period restatement related to the ERC as the revenue earned during the year ended June 30, 2021. Management believes all amounts are fully collectible.

PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets mainly consist of prepayments of insurance premiums for the upcoming fiscal year. They will be recognized as expenses as they are incurred.

YOUTH FOR CHRIST/USA, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2022 and 2021 (Restated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PROMISES-TO-GIVE

Unconditional promises to give are recognized as assets and support in the period made. Promises-to-give are expected to be collected within one year. Management believes that all amounts are fully collectible, therefore no allowance has been recorded.

INVESTMENTS

Investments, including investments in quasi-endowments, consist of pooled investments and perpetual trust held by others and are reported at fair value. Donated securities are recorded at fair value on the date of the gift and are carried in accordance with the above policy.

LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment are stated at cost, or if donated, at the estimated fair market value at the date of donation. Property donated with restrictions regarding its use and contributions of cash to acquire property are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired or placed in service, and a reclassification is made from net assets with donor restrictions to net assets without donor restrictions at that time. Depreciation and amortization is recorded using the straight-line method over estimated useful lives of 3 to 75 years. The capitalization policy is \$4,000. Therefore, fixed asset purchases exceeding that amount are capitalized.

DEFERRED INCOME

Deferred income consists primarily of risk management services charged to chapters for general liability insurance coverage. Income is recognized over the insurance policy year. Deferred income also includes registration fees for camps that are scheduled to occur after fiscal year end. Deferred income consists of:

	June 30,	
	2022	2021
Risk management	\$ 1,404,722	\$ 1,283,699
Events and other	392,913	185,483
	<u>\$ 1,797,635</u>	<u>\$ 1,469,182</u>

YOUTH FOR CHRIST/USA, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2022 and 2021 (Restated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The net assets of YFC/USA consist of the following categories:

Net assets without donor restrictions are those resources that are available for current operations, which includes those resources invested in property and equipment—net, resources board designated for liability insurance coverage and projects, resources invested in the Captive Insurance Company and quasi-endowments.

Net assets with donor restrictions, restricted by purpose or time are comprised of donor-restricted contributions for the support of projects and promises to give.

Net assets with donor restrictions, restricted in perpetuity include endowment funds held in perpetuity by third party trustees for the benefit of YFC/USA. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. The disclosures required by the Reporting Endowment Funds topic of the Financial Accounting Standards Board Accounting Standards Codification have been shortened in these consolidated financial statements due to immateriality.

SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash and other assets are received or unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

YFC/USA receives fees for risk management services from its chapters. This income is recognized in the month in which it is earned. Uncollected and unearned insurance premiums that have been excluded from accounts receivable as of June 30, 2022 and 2021 is \$46,871 and \$69,235, respectively. Amounts that have been billed to its chapters for services subsequent to June 30, 2022, and paid by its affiliates as of June 30, 2022, have been recorded as deferred revenue in the consolidated statements of financial position.

Dues from chapters and administrative fees are received from chapters and recognized when earned. Camp registration fees and event income are recognized when earned, which is when the camp or event occurs. Program and other income are recorded when earned.

YOUTH FOR CHRIST/USA, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2022 and 2021 (Restated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, continued

During the year ended June 30, 2020, YFC/USA received a \$1,599,199 loan as part of the Paycheck Protection Program (PPP) from the U.S. Small Business Administration. During the year ended June 30, 2021, YFC/USA received a second \$1,599,199 loan from the additional round of the PPP loans. YFC/USA incurred the necessary underlying costs and met the barriers to recognition during the years ended June 30, 2021 and 2020, therefore, \$1,809,228 and \$1,389,170 was recognized as government grant revenue in the consolidated statement of activities, respectively. The loans were forgiven during the years ended June 30, 2022 and 2021.

FUNCTIONAL ALLOCATION OF EXPENSES

The consolidated statements of functional expenses reports certain categories of expenses that are attributable to one or more program or supporting functions of the YFC/USA. These expenses include depreciation, salaries and benefits, grants to others, facility rental and food, professional fees, travel, facilities and equipment and office supplies and others. Depreciation, facilities, and equipment are allocated based on estimated use square footage. Costs of other categories were allocated on estimates of time and effort.

YOUTH FOR CHRIST/USA, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2022 and 2021 (Restated)

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects YFC/USA's financial assets reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year; held in trust; held in perpetual endowments and the accumulated earnings thereof, net of appropriations within one year; subject to donor purpose or time restrictions, net of spending pursuant to the restrictions within one year; or because funds are set aside by the governing board.

	June 30,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 7,499,910	\$ 6,701,200
Cash held for board designations	3,071,620	3,189,414
Accounts and other receivables–net	447,781	130,600
Employee Retention Credit receivable	659,728	654,066
Promises-to-give	673,000	1,273,000
Investments	562,427	626,797
Investments held for quasi-endowment	1,285,735	-
Financial assets, year-end:	14,200,201	12,575,077
Less those unavailable for general expenditure within one year, due to:		
Funds restricted by donor in perpetuity	(28,557)	(18,590)
Funds set aside from quasi-endowment	(1,285,735)	-
Funds designated by board for risk management	(3,071,620)	(3,189,414)
Financial assets available to meet cash needs for general expenditures within one year	\$ 9,814,289	\$ 9,367,073

As part of YFC/USA's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due.

YOUTH FOR CHRIST/USA, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2022 and 2021 (Restated)

4. ACCOUNTS AND OTHER RECEIVABLES—NET:

Accounts and other receivables—net consist of:

	June 30,	
	2022	2021
Due from chapters (located nationwide):		
Charter covenant fees	\$ 188,042	\$ 102,332
Risk management	202,002	47,949
Other	135,946	11,342
	<u>525,990</u>	<u>161,623</u>
Less allowance for doubtful accounts	<u>(78,209)</u>	<u>(31,023)</u>
	<u>\$ 447,781</u>	<u>\$ 130,600</u>

5. INVESTMENT IN CAPTIVE INSURANCE COMPANY:

There are currently nine unrelated not-for-profit organizations that have invested in the Captive Insurance Holding Company, entitled Stewardship Insurance, Ltd (SIL). As of June 30, 2022 and 2021, YFC/USA owns 4.67% and 6.25%, respectively, of SIL. This investment is also a related party due to management of YFC/USA sitting on the board of directors of SIL.

YFC/USA uses the equity method because it has been determined that YFC/USA has significant influence. The Captive Insurance Holding Company reinsures claims relating to workers' compensation, general liability, auto liability, and sexual misconduct liability. SIL pays the first \$1,000,000 of any claim and reinsures the next \$1,000,000 with a primary carrier, ACE American Insurance Company (ACE). ACE also provides aggregate stop loss coverage for the aggregate of all claims insured by SIL. Claim experience is identified to each participating entity, and subsequent premiums are modified based on an entity's experience and other factors.

YOUTH FOR CHRIST/USA, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2022 and 2021 (Restated)

5. INVESTMENT IN CAPTIVE INSURANCE COMPANY, continued:

The investment in SIL was \$1,682,083 and \$2,531,617, as of June 30, 2022 and 2021, respectively. During the years ended June 30, 2022 and 2021, YFC/USA reported its investment in SIL based upon the audited financial statements of SIL for SIL's year ended April 30, 2022 and 2021.

	April 30,	
	2022*	2021*
Total assets	\$ 65,317,877	\$ 54,737,433
Total liabilities	\$ 18,991,168	\$ 14,332,970
Comprehensive income (loss)–net of dividends	\$ (3,547,924)	\$ 4,840,413

*SIL's fiscal year end is April 30, therefore amounts represent balances and activities through and for the years ending April 30.

6. LAND, BUILDINGS, AND EQUIPMENT–NET:

Land, buildings, and equipment–net consist of:

	June 30,	
	2022	2021
Land	\$ 199,950	\$ 199,950
Buildings and improvements	1,394,959	1,394,959
Software	440,276	516,545
Furniture, fixtures, and equipment	155,760	161,292
	2,190,945	2,272,746
Less accumulated depreciation and amortization	(1,089,805)	(1,115,538)
	\$ 1,101,140	\$ 1,157,208

YOUTH FOR CHRIST/USA, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2022 and 2021 (Restated)

7. NET ASSETS:

Net assets consist of:

	June 30,	
	2022	2021
Without donor restrictions:		
Operating	\$ 5,521,230	\$ 4,854,283
Equity in land, buildings, and equipment–net	1,101,140	1,157,208
Board designated for risk management	3,071,620	3,189,414
Board designated quasi-endowment	1,285,735	-
Equity in investment in captive insurance company	1,682,083	2,531,617
	12,661,808	11,732,522
With donor restrictions:		
Restricted by purpose:		
Chapter launches	897,925	999,348
Other projects	875,840	728,998
Time restricted promises-to-give	673,000	1,273,000
Restricted in perpetuity	28,557	18,590
	2,475,322	3,019,936
	\$ 15,137,130	\$ 14,752,458

8. ENDOWMENT NET ASSETS:

Endowment net assets consist of:

	June 30, 2022:		
	Without Donor Restrictions	With Donor Restrictions, in Perpetuity	Total
Perpetual trust held by others	\$ -	\$ 28,557	\$ 28,557
Quasi-endowment	1,285,735	-	1,285,735
	\$ 1,285,735	\$ 28,557	\$ 1,314,292

YOUTH FOR CHRIST/USA, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2022 and 2021 (Restated)

8. ENDOWMENT NET ASSETS, continued:
 Endowment net assets consist of, continued:

	June 30, 2021:		
	Without Donor Restrictions	With Donor Restrictions, in Perpetuity	Total
Perpetual trust held by others	\$ -	\$ 18,590	\$ 18,590

Changes in endowment net assets:

	Year Ended June 30, 2022:		
	Without Donor Restrictions	With Donor Restrictions, in Perpetuity	Total
Endowment net assets, beginning of year	\$ -	\$ 18,590	\$ 18,590
Transfers	1,500,000	-	1,500,000
Investment income (loss)	(214,265)	9,967	(204,298)
Endowment net assets, end of year	\$ 1,285,735	\$ 28,557	\$ 1,314,292

	Year Ended June 30, 2021:		
	Without Donor Restrictions	With Donor Restrictions, in Perpetuity	Total
Endowment net assets, beginning of year	\$ -	\$ 18,590	\$ 18,590
Transfers	-	-	-
Investment income (loss)	-	-	-
Endowment net assets, end of year	\$ -	\$ 18,590	\$ 18,590

During the year ended June 30, 2022, the board created a quasi-endowment to be held in perpetuity to invest organizational surpluses into sustainable operations. Management has been approved to take a maximum 6 percent withdraw from the quasi-endowment each fiscal year to fund operation

YOUTH FOR CHRIST/USA, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2022 and 2021 (Restated)

9. FAIR VALUE MEASUREMENTS:

YFC/USA uses appropriate valuation techniques to determine fair value based on inputs available. When available, YFC/USA measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The following table present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy established under the Fair Value Measurements Topic of the FASB ASC:

	Fair Value Measurements Using:		
	Fair Value	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2022:			
Investments and investments held for quasi-endowment:			
Pooled investments	\$ 1,819,605	\$ 1,819,605	\$ -
Perpetual trusts held by others	28,557	-	28,557
	\$ 1,848,162	\$ 1,819,605	\$ 28,557
June 30, 2021:			
Investments and investments held for quasi-endowment:			
Pooled investments	\$ 597,078	\$ 597,078	\$ -
Perpetual trusts held by others	29,719	-	29,719
	\$ 626,797	\$ 597,078	\$ 29,719

Valuation techniques: Fair values of pooled investments are determined based on quoted market prices, however, YFC/USA's interest represents an interest in pooled funds held by YFC Foundation (a related-party organization described in Footnote 12). Perpetual trusts held by others are based on values of the underlying assets and other unobservable inputs held by a third party.

YOUTH FOR CHRIST/USA, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2022 and 2021 (Restated)

10. PRIOR PERIOD RESTATEMENT:

During the year ended June 30, 2022, management applied for the ERC due to reduced revenue during the years ended June 30, 2022 and 2021 related to the COVID-19 pandemic. Because the ERC related to expenses incurred during the year ended June 30, 2021, it has been recorded in that year, resulting in a prior period restatement. The impact of this restatement on the consolidated financial statements is as follows:

	As Previously Stated	Prior Period Restatement	As Restated
Consolidated statements of financial position as of June 30, 2021:			
Employee Retention Credit receivable	\$ -	\$ 654,066	\$ 654,066
Total assets	\$ 16,067,906	\$ 654,066	\$ 16,721,972
Net assets	\$ 14,098,392	\$ 654,066	\$ 14,752,458
Consolidated statements of activities for the year ended June 30, 2021:			
Employee Retention Credit income	\$ -	\$ 654,066	\$ 654,066
Total support and revenue	\$ 13,093,971	\$ 654,066	\$ 13,748,037
Change in net assets without donor restrictions	\$ 1,741,991	\$ 654,066	\$ 2,396,057
Change in net assets	\$ 1,968,389	\$ 654,066	\$ 2,622,455
Net assets, end of year	\$ 14,098,392	\$ 654,066	\$ 14,752,458
Consolidated statements of cash flows for the year ended June 30, 2021:			
Change in net assets	\$ 1,968,389	\$ 654,066	\$ 2,622,455
Change in Employee Retention Credit receivable	\$ -	\$ (654,066)	\$ (654,066)
Notes to the consolidated financial statements as of June 30, 2021:			
Net assets (footnote 7): Without donor restrictions-operating	\$ 4,200,217	\$ 654,066	\$ 4,854,283

YOUTH FOR CHRIST/USA, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2022 and 2021 (Restated)

11. RETIREMENT PLAN:

YFC/USA participates in a Tax Sheltered Annuity Plan (the Plan) in compliance with Section 403(b) of the Internal Revenue Code. Employees are eligible to participate immediately upon hire and receive an employer match of up to 3%. Employer contributions to the Plan for the years ended June 30, 2021 and 2022, were \$146,419 and \$95,214, respectively.

12. RELATED PARTY TRANSACTIONS:

During the years ended June 30, 2022 and 2021, four of the one hundred forty executive directors of YFC/USA chapters were also board members of YFC/USA. These members are selected by YFC regions to represent the interests of all chapters. During the years ended June 30, 2022 and 2021, \$304,331 and \$228,975, respectively, was billed to those chapters for dues and risk management services. As of June 30, 2022 and 2021, \$35,988 and \$4,764, respectively, was due to YFC/USA from these chapters.

A member of YFC/USA's board is also on the board of a financial institution where YFC/USA holds cash and cash equivalents. As of June 30, 2022 and 2021, YFC/USA held \$252,305 and \$252,211, of cash and cash equivalents at this financial institution, respectively.

Several members of YFC/USA's board are also on the board of YFC Foundation where YFC/USA holds pooled investments. As of June 30, 2022 and 2021, YFC/USA held \$1,819,605 and \$597,078, of pooled investments with this related party, respectively. During the year ended June 30, 2022 and 2021, the YFC Foundation donated \$2,799,856 and \$269,965 to YFC/USA, respectively. This amount represents 19% of total support and revenue for the year ended June 30, 2022. There was no such concentration for the year ended June 30, 2021.

Finally, members of the board of directors donated approximately \$939,000 to YFC/USA during the year ended June 30, 2022. Board contributions were not significant for the year ended June 30, 2021.

13. RISKS AND UNCERTAINTIES:

In March 2021, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of YFC/USA for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

14. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 10, 2022, which is the date the consolidated financial statements were available to be issued.