
YOUTH CHALLENGE INTERNATIONAL
FINANCIAL STATEMENTS
MARCH 31, 2005

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MARCH 31, 2005

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AUDITORS' REPORT

To the Board of Directors of
Youth Challenge International

We have audited the statement of financial position of Youth Challenge International as at March 31, 2005 and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Organization derives revenues from donations and challenger fund-raising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses for the year, assets and net assets.

In our opinion, except for the effects of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations and challenger fund-raising revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

MALINSKY AND ASSOCIATES

Chartered Accountants

Toronto, Ontario

June 26, 2005

YOUTH CHALLENGE INTERNATIONAL
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
ASSETS		
CURRENT		
Cash and short-term investments	106,556	75,532
Accounts receivable	3,805	6,585
Prepaid expenses and deposits	<u>55,082</u>	<u>28,220</u>
	<u>165,443</u>	<u>110,337</u>
CAPITAL ASSETS (Note 2)	<u>17,053</u>	<u>17,540</u>
	<u><u>182,496</u></u>	<u><u>127,877</u></u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	21,266	30,540
Loan payable (Note 3)	15,000	15,000
Deferred contributions (Note 4)	<u>187,721</u>	<u>129,001</u>
	<u>223,987</u>	<u>174,541</u>
NET ASSETS		
NET ASSETS		
Invested in capital assets	17,053	17,540
Unrestricted	<u>(58,544)</u>	<u>(64,204)</u>
	<u>(41,491)</u>	<u>(46,664)</u>
	<u><u>182,496</u></u>	<u><u>127,877</u></u>
Commitments (Note 9)		

APPROVED ON BEHALF OF THE BOARD:

Director

Director

See accompanying notes to financial statements

YOUTH CHALLENGE INTERNATIONAL
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED MARCH 31, 2005

	2005	2004
	\$	\$
REVENUES		
Participant-raised		
Challenger revenue	569,785	636,900
Rendered services (Note 5)	570,560	609,305
CIDA		
NGO Division - Project facility	365,140	13,069
Centre for Intercultural Learning	17,914	10,668
Donations		
Foundations	3,250	49,200
Private	12,056	12,690
Corporate	3,606	5,000
Youth internships	64,151	159,236
Sundry income	1,169	3,077
	<u>1,607,631</u>	<u>1,499,145</u>
DIRECT EXPENSES		
Projects:		
Guyana	221,281	286,049
Costa Rica	216,963	267,171
Tanzania	142,064	-
Ethiopia	68,650	17,841
Canada	63,680	33,960
Vanuatu	45,452	41,779
	<u>758,090</u>	<u>646,800</u>
Rendered services (Note 5)	570,560	609,305
Youth Internships	48,169	141,202
	<u>1,376,819</u>	<u>1,397,307</u>
GENERAL AND ADMINISTRATIVE		
Office	106,358	101,597
Salaries and employee benefits	72,296	93,307
Professional fees	30,902	25,868
Equipment maintenance and service	9,173	12,774
Amortization	6,105	7,449
Promotion	805	5,365
	<u>225,639</u>	<u>246,360</u>
	<u>1,602,458</u>	<u>1,643,667</u>
EXCESS OF REVENUES OVER EXPENSES	<u>5,173</u>	<u>(144,522)</u>

See accompanying notes to financial statements

YOUTH CHALLENGE INTERNATIONAL
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2005

	Invested in Capital Assets \$	Unrestricted \$	2005 \$	2004 \$
BALANCE, beginning of year	17,540	(64,204)	(46,664)	97,858
Excess (deficiency) of revenues over expenses	(6,105)	11,278	5,173	(144,522)
Investment in capital assets	<u>5,618</u>	<u>(5,618)</u>	<u>-</u>	<u>-</u>
BALANCE, end of year	<u>17,053</u>	<u>(58,544)</u>	<u>(41,491)</u>	<u>(46,664)</u>

See accompanying notes to financial statements

YOUTH CHALLENGE INTERNATIONAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2005

	2005	2004
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues over expenses	5,173	(144,522)
Amortization of capital assets	6,105	7,449
	11,278	(137,073)
Changes in non-cash working capital items:		
Decrease in accounts receivable	2,780	116,858
Increase in prepaid expenses and deposits	(26,862)	(3,754)
Decrease in accounts payable and accrued liabilities	(9,274)	(30,275)
(Decrease) increase in deferred revenue	58,720	(138)
	36,642	(54,382)
INVESTING ACTIVITIES		
Purchase of capital assets	(5,618)	(1,047)
CHANGE IN CASH AND SHORT-TERM INVESTMENTS	31,024	(55,429)
CASH AND SHORT-TERM INVESTMENTS , beginning of year	75,532	130,961
CASH AND SHORT-TERM INVESTMENTS , end of year	106,556	75,532

See accompanying notes to financial statements

YOUTH CHALLENGE INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Description of the organization:

Youth Challenge International was incorporated as a corporation without share capital under the Business Corporations Act (Ontario) by Letters Patent granted December 29, 1983. The Organization was granted tax-exempt status as a registered charity under the Income Tax Act, effective January 1, 1984, and accordingly is not subject to income tax.

The Organization is a Toronto based non-profit youth development and educational institution. It builds the skills, experience and confidence of young people by involving them in substantive overseas development projects in partnership with local youth-serving organizations. It has active programs which impact youths in Canada, Africa, Central and South America, and the South Pacific.

(b) Revenue recognition and deferred contributions:

The deferral method is used to record contributions.

Restricted contributions, which are those subject to an obligation of required use, are recognized as revenue in the year during which the related charges are incurred. Unrestricted contributions are recognized in the year during which they are received.

Contributions restricted for the purchase of capital assets are deferred and amortized on a straight-line basis, at a rate corresponding to the amortization rate for the related equipment. There were no restricted contributions related to capital assets at the year end date.

(c) Capital assets:

Capital assets are recorded at cost. Amortization of capital assets is provided as follows:

Computer equipment	- 30% per annum, declining balance
Equipment	- 30% per annum, declining balance
Leasehold improvements	- 20% per annum, straight line

(d) Contributed materials and services:

Contributed materials and services in the form of capital assets are accounted for at their fair value at the date of the donation or the agreement's date. A capital asset and deferred contribution are then recognized in the balance sheet and amortized in accordance with the accounting policies in note 1(c)

Contributed materials and services in the form of supplies and services are accounted for at their fair value at the date of the donation or the agreement's date. A revenue and an expense are then recognized in the statement of operations.

(e) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from such estimates.

YOUTH CHALLENGE INTERNATIONAL
 NOTES TO FINANCIAL STATEMENTS
 MARCH 31, 2005

2. CAPITAL ASSETS

	Cost \$	Accumulated Amortization \$	Net 2005 \$	Net 2004 \$
Computer equipment	54,796	38,009	16,787	16,822
Equipment	2,384	2,118	266	718
Leasehold improvements	<u>8,946</u>	<u>8,946</u>	<u>-</u>	<u>-</u>
	<u>66,126</u>	<u>49,073</u>	<u>17,053</u>	<u>17,540</u>

3. LOAN PAYABLE

Loan payable is non-interest bearing, unsecured and due on demand.

4. DEFERRED CONTRIBUTIONS

Deferred contributions represents unspent contributions totaling \$166,347 received from challenger raised revenues and \$21,374 which represents unspent funds received from Canadian International Development Agency (CIDA) which relate to subsequent periods. Changes in the deferred revenue balance are as follows:

	<u>2005</u> \$	<u>2004</u> \$
BALANCE, beginning of year	129,001	81,828
Amounts recognized as revenue in the year	(129,001)	(81,828)
Amounts received related to expenses of the following year	<u>187,721</u>	<u>129,001</u>
BALANCE, end of year	<u>187,721</u>	<u>129,001</u>

5. CONTRIBUTIONS OF RENDERED SERVICES

The contributions in the form of rendered services represent the value of the non-remunerated contributions provided by the volunteer participants. According to a study conducted during the year, in which the hours of services provided by the volunteers were tracked, 46,050 hours of rendered services were performed in 2005 (2004 - 50,025 hours). The value of the contributions amounted to \$570,560 (2004 - \$609,305). The hours worked in the year ended March 31, 2005 were valued at the average rate of \$12.39/hour (2004 - \$12.18). The average hourly rate was calculated on the basis of data established by Statistics Canada, representing the economic value of the volunteer work, based on the average hourly remuneration rate paid to employees under the National Occupational Classification for Statistics Canada, which represents community workers.

These contributions which were received free of charge are accounted for both as revenue and as a charge to direct expenses and, therefore, have no impact on the year's excess of revenues over expenses.

YOUTH CHALLENGE INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

6. FINANCING ACTIVITY

On April 9, 2004, a Contribution Agreement was signed between Youth Challenge International and the Canadian International Development Agency (CIDA), which provides funding for the Organization to support the Global Youth Development program. The subsidies are received on an annual basis in accordance with the terms and conditions of the agreement. CIDA will provide funding from April 2004 through to July 2007, for up to 67% of the Canadian costs incurred to run the program, not to exceed \$1,103,584 over the term of the agreement.

The organization is economically dependent on the continued support of governmental agencies through receipt of contributions and grants.

7. SIGNIFICANTLY INFLUENCED ORGANIZATIONS

Youth Challenge International has the ability to exert significant influence over the affiliated organizations listed below, by virtue of the level of economic contributions made to the organizations and their programs. The significantly influenced organizations operate in Costa Rica, Guyana and South Pacific where they provide educational and developmental services in the communities in which they operate with objectives similar to those of Youth Challenge International.

During the year Youth Challenge International paid out the following amounts to partnership organizations which represent fees paid for Canadian challengers sent to the programs:

Reto Juvenil Internacional	\$139,659
Youth Challenge Guyana	\$114,365
Youth Challenge Australia	\$ 32,065

8. FINANCIAL INSTRUMENTS

The carrying value of cash, short-term investments, accounts receivable, accounts payable, accrued liabilities and loan payable approximates their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

9. COMMITMENTS

The Corporation is committed under operating leases expiring in the year fiscal 2009 for the rental of an office and office equipment. Future minimum lease payments under these leases are as follows:

	\$
2006	33,870
2007	33,870
2008	26,687
2009	5,136
2010	<u>3,852</u>
	<u>103,415</u>