



You were made for this.®

YOUNG LIFE AND SUBSIDIARIES

Consolidated Financial Statements
With Independent Auditors' Report

September 30, 2017 and 2016

YOUNG LIFE AND SUBSIDIARIES

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statement of Activities-Year Ended September 30, 2017	4
Consolidated Statement of Activities-Year Ended September 30, 2016	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7
Supplemental Information	
Independent Auditors' Report on Supplemental Information	25
Consolidating Statement of Financial Position	26
Consolidating Statement of Activities	27
Consolidated Schedule of Functional Expenses	28

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Young Life and Subsidiaries
Colorado Springs, Colorado

We have audited the accompanying consolidated financial statements of Young Life and Subsidiaries (Young Life), which comprise the consolidated statements of financial position as of September 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Young Life's preparation and fair presentation of the consolidated 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees
Young Life and Subsidiaries
Colorado Springs, Colorado

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Young Life and Subsidiaries as of September 30, 2017 and 2016, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Colorado Springs, Colorado
November 9, 2017

YOUNG LIFE AND SUBSIDIARIES

Consolidated Statements of Financial Position September 30, 2017 and 2016

	2017	2016
ASSETS:		
Cash and cash equivalents	\$ 4,186,487	\$ 15,809,712
Accounts and other receivables	1,135,256	1,488,537
Pledges receivable, net	19,555,741	9,317,223
Inventory	1,458,242	1,581,590
Prepaid expenses and other assets	2,411,010	1,843,103
Assets held for sale	547,000	1,558,065
Investments	153,421,846	131,180,227
Cash restricted for long-lived assets	16,557,690	11,381,869
Land, buildings, and equipment, net	271,274,882	254,012,493
Assets held for endowment fund	2,190,265	2,124,029
	\$ 472,738,419	\$ 430,296,848
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 19,600,579	\$ 17,470,300
Notes payable	1,961,122	2,134,935
Custodial, trust, and annuity obligations	296,958	299,812
	21,858,659	19,905,047
Net assets:		
Unrestricted:		
Operating	133,408,565	125,851,749
Donor advised funds	2,177,189	2,369,271
Cumulative foreign currency translation adjustment	1,583,455	1,495,781
Equity in land, buildings, and equipment	269,610,766	252,195,604
	406,779,975	381,912,405
Temporarily restricted	42,433,958	26,813,569
Permanently restricted	1,665,827	1,665,827
	450,879,760	410,391,801
Total Liabilities and Net Assets	\$ 472,738,419	\$ 430,296,848

See notes to consolidated financial statements

YOUNG LIFE AND SUBSIDIARIES

Consolidated Statement of Activities Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:				
Contributions-operating	\$ 237,306,305	\$ 23,661,541	\$ -	\$ 260,967,846
Contributions restricted for capital purchases	-	33,896,516	-	33,896,516
Program services revenue	71,190,909	-	-	71,190,909
Investment and endowment income	8,709,365	600,344	-	9,309,709
Change in value of split-interest agreements	6,409	(1,134)	-	5,275
Sales income	8,144,871	-	-	8,144,871
Other income	3,137,613	-	-	3,137,613
Total Support and Revenue	328,495,472	58,157,267	-	386,652,739
NET ASSETS RELEASED:				
Satisfaction of purpose and time restrictions	42,536,878	(42,536,878)	-	-
EXPENSES:				
Program services:				
Club ministries	213,898,097	-	-	213,898,097
Camping operations	77,660,531	-	-	77,660,531
Young Life Foundation	689,870	-	-	689,870
	<u>292,248,498</u>	<u>-</u>	<u>-</u>	<u>292,248,498</u>
Supporting activities:				
Management and general	29,268,824	-	-	29,268,824
Fundraising	24,735,132	-	-	24,735,132
	<u>54,003,956</u>	<u>-</u>	<u>-</u>	<u>54,003,956</u>
Total Expenses	346,252,454	-	-	346,252,454
Change in Net Assets Before Foreign				
Currency Translation	24,779,896	15,620,389	-	40,400,285
Foreign currency translation adjustments	87,674	-	-	87,674
Change in Net Assets	24,867,570	15,620,389	-	40,487,959
Net Assets, Beginning of Year	381,912,405	26,813,569	1,665,827	410,391,801
Net Assets, End of Year	\$ 406,779,975	\$ 42,433,958	\$ 1,665,827	\$ 450,879,760

See notes to consolidated financial statements

YOUNG LIFE AND SUBSIDIARIES

Consolidated Statement of Activities Year Ended September 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:				
Contributions-operating	\$ 219,208,687	\$ 20,054,214	\$ -	\$ 239,262,901
Contributions restricted for capital purchases	-	28,644,348	-	28,644,348
Program services revenue	70,810,118	-	-	70,810,118
Investment and endowment income	5,776,155	481,548	-	6,257,703
Change in value of split-interest agreements	(51,089)	4,074	-	(47,015)
Sales income	7,819,827	-	-	7,819,827
Other income	3,230,374	-	-	3,230,374
Total Support and Revenue	306,794,072	49,184,184	-	355,978,256
NET ASSETS RELEASED:				
Satisfaction of purpose and time restrictions	61,772,516	(61,772,516)	-	-
EXPENSES:				
Program services:				
Club ministries	204,118,037	-	-	204,118,037
Camping operations	77,150,408	-	-	77,150,408
Young Life Foundation	465,488	-	-	465,488
	<u>281,733,933</u>	<u>-</u>	<u>-</u>	<u>281,733,933</u>
Supporting activities:				
Management and general	26,418,618	-	-	26,418,618
Fundraising	22,988,703	-	-	22,988,703
	<u>49,407,321</u>	<u>-</u>	<u>-</u>	<u>49,407,321</u>
Total Expenses	331,141,254	-	-	331,141,254
Change in Net Assets Before Foreign				
Currency Translation	37,425,334	(12,588,332)	-	24,837,002
Foreign currency translation adjustments	(50,172)	-	-	(50,172)
Change in Net Assets	37,375,162	(12,588,332)	-	24,786,830
Net Assets, Beginning of Year	344,537,243	39,401,901	1,665,827	385,604,971
Net Assets, End of Year	\$ 381,912,405	\$ 26,813,569	\$ 1,665,827	\$ 410,391,801

See notes to consolidated financial statements

YOUNG LIFE AND SUBSIDIARIES

Consolidated Statements of Cash Flows Years Ended September 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 40,487,959	\$ 24,786,830
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	19,199,466	18,521,047
Bad debt and doubtful pledge expense	(39,534)	757,854
(Gain) loss on disposal of land, buildings, and equipment	(173,402)	372,910
Loss on disposal of assets held for sale	59,632	42,541
Realized and unrealized gains on investments	(6,753,918)	(3,696,747)
Gain on investment in captive insurance companies	(272,745)	(422,413)
Change in value of split-interest agreements	(5,275)	47,015
Capitalized and held for sale in-kind contributions	(183,945)	(1,133,143)
Foreign currency translation	(87,674)	50,172
Contributions received restricted for long-lived assets	(33,896,516)	(28,644,348)
Changes in operating assets and liabilities:		
Accounts and other receivables	344,048	(245,965)
Pledges receivable	(10,189,751)	8,464,017
Inventory	123,348	(64,965)
Prepaid expenses and other assets	(567,907)	1,672,608
Accounts payable and accrued liabilities	1,707,985	753,820
Custodial, trust, and annuity obligations	(2,854)	5,509
Net Cash Provided by Operating Activities	9,748,917	21,266,742
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(50,296,970)	(62,809,128)
Proceeds from sales of investments	35,088,243	36,081,620
Purchases of land, buildings, and equipment	(35,729,010)	(52,235,783)
Proceeds from sales of land, buildings, and equipment	443,414	418,216
Proceeds from sales of assets held for sale	985,433	170,458
Net Cash Used by Investing Activities	(49,508,890)	(78,374,617)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(173,813)	(163,050)
Reinvested dividends of assets held for endowment fund	(27,909)	(38,151)
Gain on assets held for endowment fund	(189,037)	(137,917)
Distributions of assets held for endowment fund	150,710	59,241
Transfer of cash restricted for long-lived assets	4,639,773	(5,459,637)
Proceeds from contributions for long-lived assets	24,080,922	37,230,794
Net Cash Provided by Financing Activities	28,480,646	31,491,280
Effect of Exchange Rate Changes on Cash	(343,898)	(312,255)
Net Change in Cash and Cash Equivalents	(11,623,225)	(25,928,850)
Cash and Cash Equivalents, Beginning of Year	15,809,712	41,738,562
Cash and Cash Equivalents, End of Year	4,186,487	15,809,712
Cash Restricted for Long-Lived Assets	16,557,690	11,381,869
Total Cash and Cash Equivalents, End of Year	\$ 20,744,177	\$ 27,191,581
SUPPLEMENTAL DISCLOSURES:		
Fixed assets acquired with accounts payable	\$ 507,800	\$ 85,506
Cash paid for interest (none capitalized)	\$ 126,805	\$ 137,397

See notes to consolidated financial statements

YOUNG LIFE AND SUBSIDIARIES

Notes to Consolidated Financial Statements September 30, 2017 and 2016

1. NATURE OF ORGANIZATION:

NATURE OF OPERATIONS

Founded in 1941, Young Life and Subsidiaries (collectively, Young Life) is a non-denominational, not-for-profit ministry committed to introducing adolescents to Jesus Christ and helping them grow in their faith. Young Life has four major operating segments through which it serves over 2.4 million kids in the U.S. and around the world. These segments are: U.S. Field Operations and International Field Operations (Club Ministries), Camping Operations, and Global Mission Services. Field Operations carries on its primary ministry with middle school to college age kids in the U.S. and in 101 countries around the globe. Young Life field staff reach out to all kids and have ministries designed to serve teen moms, kids with disabilities, as well as kids living in urban or rural areas. Camping Operations owns and operates 27 world class camping facilities and runs 7 more seasonal camping opportunities through affiliate camp relationships. Global Mission Services provides centralized services in support of the overall ministry, and is based in Colorado Springs, Colorado.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements for the years ended September 30, 2017 and 2016, include the assets, liabilities, net assets, revenues, and expenses of Young Life, inclusive of Young Life Foundation, 3E Ministry Resources, Inc. (3E), and controlled foreign subsidiaries that meet baseline reporting requirements. Grants to non-consolidated yet controlled foreign entities are included within related party transactions in note 16. All significant intercompany transactions and balances have been eliminated. Young Life is also affiliated with ministries throughout the world, which are not under Young Life's control. Accordingly, the assets, liabilities, and net assets of these national ministries are not included in the consolidated financial statements and expenditures paid are treated as grants in the consolidated statements of activities.

TAX STATUS

Young Life is classified as a church and exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code). Young Life Foundation is a supporting organization, not considered to be a private foundation under Section 509(a), and is also exempt from federal income tax under the Code. 3E is subject to U.S. income taxes. Young Life's foreign subsidiaries are subject to income taxes in those countries depending upon the taxable/non-taxable structure of those subsidiaries. Young Life voluntarily files IRS Form 990 and is subject to federal income tax on any unrelated business taxable income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements of Young Life have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader. The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

YOUNG LIFE AND SUBSIDIARIES

Notes to Consolidated Financial Statements September 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits and money market accounts. Some of Young Life's accounts exceeded federally insured limits as of September 30, 2017 and 2016. Young Life 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 restricted for long-lived assets consists of capital funds received and not yet expended as of September 30, 2017 and 2016.

Young Life maintains pooled investment accounts for its funds. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual funds based on the relationship of the fair value of the interest of each fund to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

ACCOUNTS AND OTHER RECEIVABLES

Accounts and other receivables are recorded at their estimated net realizable value and consist primarily of amounts due from insurance proceeds, program participants, and notes receivable. Accounts past due more than 30 days are considered delinquent. Interest is not charged on delinquent accounts. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the program participant. An allowance for doubtful accounts has not been recorded because management believes all accounts receivable are fully collectible based on the recorded net realizable value of each receivable.

INVENTORY

Inventory is stated at the lower of cost or market, using the first-in, first-out method and consists primarily of food stores and goods held for resale. Individual inventory items are evaluated and obsolete items are written off as needed.

ASSETS HELD FOR SALE

Assets held for sale include buildings and properties and are recorded at the lower of carrying value or fair market value less the estimated cost to sell the property.

YOUNG LIFE AND SUBSIDIARIES

Notes to Consolidated Financial Statements September 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS

Young Life's investments, excluding its certificates of deposit, are stated at fair value. Fair values are determined by quoted market prices for securities and appraised market values for real property held for investment. The investment in the captive insurance companies is accounted for using the equity method. Certificates of deposit are carried at cost. The alternative investments, which are not readily marketable, are carried at estimated fair values, using the net asset value per share of the investments, as provided by the investment managers. Young Life reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a readily available market for these investments existed. Young Life considers the carrying value to be a reasonable estimate of fair value.

LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment include property and equipment used in operations. Land, buildings, and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 33 years. Purchases of land, buildings, and equipment are capitalized if they are in excess of \$2,500 for Camping Operations and Mission Services or \$1,000 for U.S. and International Field Operations.

ASSETS HELD FOR ENDOWMENT FUND

Young Life's endowment fund consists of four individual funds established for a variety of purposes and are included in the pooled investment accounts. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The board of trustees has interpreted the State of Colorado Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Young Life classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In addition, absent explicit donor stipulations to the contrary, to the extent prudent, appropriations for expenditure are allowed even if the fair value of the donor restricted endowment fund falls below the original gift as of the gift date, in accordance with SPMIFA. Young Life considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

YOUNG LIFE AND SUBSIDIARIES

Notes to Consolidated Financial Statements September 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ASSETS HELD FOR ENDOWMENT FUND, continued

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires Young Life to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, no deficiencies of this nature have been reported in unrestricted net assets as of September 30, 2017 and 2016.

Return objectives and strategies: To satisfy its long-term rate of return objectives, Young Life relies on a total return strategy in which investment returns are achieved through both current yield and capital appreciation. Young Life targets a diversified asset allocation to achieve its long-term return objectives within prudent risk restraints.

Spending policy: Young Life has a policy of appropriating expenditures each year. To the extent prudent, it is expected that spending from the endowment funds would be managed with long-term perspective to maintain long-term purchasing power of the endowment funds to meet the longer term needs of Young Life; but that such long-term perspective would not prevent the funds from continuing to spend a prudent amount from the endowment funds despite a fund's balance falling below targeted levels. This is consistent with Young Life's objective to maintain the purchasing power of donor restricted assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

TRUST AND ANNUITY OBLIGATIONS

Under an irrevocable trust agreement, Young Life receives contributed assets and agrees to make payments to a donor. The payments are based on a fixed rate of return or on related investment income, as stipulated in the trust agreement. Amounts received under the irrevocable trust agreement, net of the discounted present value of future payments to beneficiaries, are recorded as temporarily restricted revenue upon receipt. A liability for the trust obligation is recorded for the estimated present value of future payments to beneficiaries. Upon the maturity of the trust, the assets are transferred from temporarily restricted net assets to unrestricted net assets as designated by the trust agreement.

YOUNG LIFE AND SUBSIDIARIES

Notes to Consolidated Financial Statements September 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

TRUST AND ANNUITY OBLIGATIONS, continued

Annuity obligations represent the present value of the remaining payments due to annuitants under annuity contracts, based upon the remaining life expectancies of the respective annuitants. Legally-mandated reserves for certain States are maintained by Young Life. Discount rates used for the present value calculation of liabilities for trusts and annuities range from 6.0-7.2%.

Assets held for trust and annuity obligations totaled approximately \$772,000 and \$884,000 as of September 30, 2017 and 2016, respectively, and are included within investments on the consolidated statements of financial position.

NET ASSETS

Net assets are reported in the consolidated financial statements as follows:

Unrestricted net assets are those currently available for ministry purposes under the direction of the board, those designated by the board for specific use, and those resources invested in land, buildings, and equipment.

Temporarily restricted net assets are those by which Young Life's use has been limited by donors to a specific time period or purpose.

Permanently restricted net assets have been restricted by donors to be maintained by Young Life in perpetuity, the income from which is expendable to support field ministries, camping, and general operations.

SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when made, which may be when cash and other assets are received or unconditionally promised. Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. Funds are raised for field operations primarily by the individual regions and areas throughout the United States and internationally. Young Life considers these contributions as support for general field operations and will reallocate resources between individual regions and areas if needed. Accordingly, these contributions are recorded as unrestricted contributions. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

YOUNG LIFE AND SUBSIDIARIES

Notes to Consolidated Financial Statements September 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES, continued

Gifts of land, buildings, and equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value using a discount rate of estimated future cash flows. The resulting discount is amortized and is reported against contribution revenue.

Contributions of services are recognized as support and revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills by the individuals providing the service and the service would typically need to be purchased if not donated. A substantial number of volunteers have donated significant amounts of time to Young Life; however, Young Life does not record contribution revenue as these services do not meet the criteria to be recorded under accounting standards.

Program services revenue consists primarily of fees to attend Young Life camping programs. Program services revenue is recorded when earned, which is when the good or service is provided. Sales income is recorded net of sales returns at the time the sale occurs. Other income is recorded when earned.

The costs of providing the various program services and supporting activities of Young Life have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs, such as occupancy costs, depreciation, and payroll, have been allocated among the program services and supporting activities benefited.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified in order to conform with the current year presentation. Reclassified amounts include contributions received for long-lived assets and proceeds from contributions for long-lived assets on the consolidated statements of cash flows. Reclassified amounts are not considered to be material to the consolidated financial statements and had no impact on change in net assets or net change in cash and cash equivalents, so no restatement is considered necessary.

YOUNG LIFE AND SUBSIDIARIES

Notes to Consolidated Financial Statements September 30, 2017 and 2016

3. INVESTMENTS AND ASSETS HELD FOR ENDOWMENT FUND:

Investments and assets held for endowment fund consist of:

	September 30, 2017			September 30, 2016		
	Young Life	Foundation	Total	Young Life	Foundation	Total
Money market mutual funds	\$ 15,068	\$ 8,632,288	\$ 8,647,356	\$ 123,699	\$ 10,827,906	\$ 10,951,605
Equity securities	204,179	48,503,765	48,707,944	84,391	42,872,409	42,956,800
Fixed income securities	88,003	24,405,837	24,493,840	139,596	23,139,875	23,279,471
Land and land interests	-	749,424	749,424	-	754,696	754,696
Captive insurance arrangements	8,205,403	-	8,205,403	7,932,658	-	7,932,658
Alternative investments	-	15,517,022	15,517,022	-	15,423,331	15,423,331
Certificates of deposit	48,439,610	-	48,439,610	31,239,284	-	31,239,284
Other	-	851,512	851,512	-	766,411	766,411
	<u>56,952,263</u>	<u>98,659,848</u>	<u>155,612,111</u>	<u>39,519,628</u>	<u>93,784,628</u>	<u>133,304,256</u>
Less: Assets held for endowment fund	-	(2,190,265)	(2,190,265)	-	(2,124,029)	(2,124,029)
Total investments	<u>\$ 56,952,263</u>	<u>\$ 96,469,583</u>	<u>\$ 153,421,846</u>	<u>\$ 39,519,628</u>	<u>\$ 91,660,599</u>	<u>\$ 131,180,227</u>

Investment and endowment income (loss) consists of:

	Year Ended September 30, 2017			Year Ended September 30, 2016		
	Young Life	Foundation	Total	Young Life	Foundation	Total
Interest and dividends	\$ 782,215	\$ 1,311,794	\$ 2,094,009	\$ 279,350	\$ 1,721,276	\$ 2,000,626
Gain on investment in captive insurance companies	272,745	-	272,745	422,413	-	422,413
Net realized and unrealized gain	<u>152,878</u>	<u>6,790,077</u>	<u>6,942,955</u>	<u>65,540</u>	<u>3,769,124</u>	<u>3,834,664</u>
	<u>\$ 1,207,838</u>	<u>\$ 8,101,871</u>	<u>\$ 9,309,709</u>	<u>\$ 767,303</u>	<u>\$ 5,490,400</u>	<u>\$ 6,257,703</u>

YOUNG LIFE AND SUBSIDIARIES

Notes to Consolidated Financial Statements September 30, 2017 and 2016

4. PLEDGES RECEIVABLE, NET:

Pledges receivable, net consist of:

	<u>2017</u>	<u>2016</u>
Camp capital purchases or gifts	\$ 18,326,333	\$ 8,510,739
Field ministries	1,642,500	1,204,000
	<u>19,968,833</u>	<u>9,714,739</u>
Less: Allowance for uncollectible pledges	(280,465)	(354,232)
Less: Present value discount	(132,627)	(43,284)
	<u><u>\$ 19,555,741</u></u>	<u><u>\$ 9,317,223</u></u>

At September 30, 2017, pledges receivable are expected to mature as follows:

Due in less than one year	\$ 16,118,666
Due in one to five years	<u>3,437,075</u>
	<u><u>\$ 19,555,741</u></u>

Young Life accounts for the present value of pledges receivable using a risk-adjusted discount rate range of 1.2-1.8%. An allowance for uncollectible pledges receivable is recorded based upon collection history.

Young Life also received conditional pledges receivable to support capital projects as well as matching gifts of specified amounts, which are not recognized until the condition has been met. As of September 30, 2017 and 2016, total conditional pledges receivable approximated \$3,250,000 and \$0, respectively.

YOUNG LIFE AND SUBSIDIARIES

Notes to Consolidated Financial Statements September 30, 2017 and 2016

5. LAND, BUILDINGS, AND EQUIPMENT, NET:

Land, buildings, and equipment, net consist of:

	2017	2016
Land	\$ 45,076,946	\$ 44,572,605
Buildings and improvements	369,107,227	345,692,735
Furniture and equipment	57,103,982	52,293,262
Marine equipment	3,432,075	2,973,922
Vehicles and other	8,456,382	8,097,305
	483,176,612	453,629,829
Accumulated depreciation	(223,279,123)	(205,454,306)
	259,897,489	248,175,523
Construction in progress	11,377,393	5,836,970
	\$ 271,274,882	\$ 254,012,493

Equity in land, buildings, and equipment consists of:

Land, buildings, and equipment, net	\$ 271,274,882	\$ 254,012,493
Less: related note payable	(1,664,116)	(1,816,889)
	\$ 269,610,766	\$ 252,195,604

6. NOTES PAYABLE:

Notes payable consists of:

	2017	2016
Note payable to a financial institution, due in monthly installments of principal and interest of \$22,121, with interest calculated at 6.36%. The note matures in June 2025 and is secured by property.	\$ 1,664,116	\$ 1,816,889
Note payable to an individual, due in quarterly installments of principal and interest of \$8,750, with interest calculated at 4.5%. The note matures in September 2028 and is secured by investment property.	297,006	318,046
	\$ 1,961,122	\$ 2,134,935

YOUNG LIFE AND SUBSIDIARIES

Notes to Consolidated Financial Statements September 30, 2017 and 2016

6. NOTES PAYABLE, continued:

Future minimum payments under notes payable are:

<u>Year Ending September 30,</u>	
2018	\$ 184,923
2019	196,751
2020	209,117
2021	222,739
2022	237,014
Thereafter	<u>910,578</u>
	<u>\$ 1,961,122</u>

Young Life was in compliance with all financial and reporting covenants at September 30, 2017 and 2016.

7. MEDICAL CLAIMS RESERVE:

Young Life has a self-insured employee group medical plan. Insurance policies in force at September 30, 2017 and 2016, limit Young Life's liability to \$325,000 annually per insured. Young Life records an accrual that represents its best estimate of claims and fees that were incurred but unpaid at the end of each year, and was \$2,823,700 and \$3,032,447 as of September 30, 2017 and 2016, respectively. These amounts are included in accounts payable and accrued liabilities on the consolidated statements of financial position.

YOUNG LIFE AND SUBSIDIARIES

Notes to Consolidated Financial Statements September 30, 2017 and 2016

8. INSURANCE LOSS ACCRUAL:

During 2002, Young Life incurred a loss arising from the insolvency of one of its general liability insurance carriers that rendered the carrier incapable of paying certain claims. Young Life is obligated to make payments arising from insolvency under a settlement agreement entered into during the year ended September 30, 2002. The estimated present value of these future payments is \$5,487,985 and \$4,328,440 as of September 30, 2017 and 2016, respectively, and is included in accounts payable and accrued liabilities on the consolidated statements of financial position.

9. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	2017	2016
Capital improvements	\$ 28,581,173	\$ 17,614,650
Campership	7,177,295	7,229,340
Club ministries	6,006,830	1,308,914
Trust agreement	585,816	584,777
Training	82,844	75,888
	\$ 42,433,958	\$ 26,813,569

10. ASSETS HELD FOR ENDOWMENT FUND:

Net assets held for endowment fund are as follows:

	2017	2016
Unrestricted	\$ 31,603	\$ 4,149
Temporarily restricted	492,835	454,053
Permanently restricted	1,665,827	1,665,827
	\$ 2,190,265	\$ 2,124,029

YOUNG LIFE AND SUBSIDIARIES

Notes to Consolidated Financial Statements September 30, 2017 and 2016

10. ASSETS HELD FOR ENDOWMENT FUND, continued:

Changes in assets held for endowment fund for the year ended September 30, 2017, consist of:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 4,149	\$ 454,053	\$ 1,665,827	\$ 2,124,029
Dividend and interest income	16,274	11,635	-	27,909
Net realized and unrealized gains	106,553	82,484	-	189,037
Appropriations of endowment assets for expenditures	(95,373)	(55,337)	-	(150,710)
Endowment net assets, end of year	<u>\$ 31,603</u>	<u>\$ 492,835</u>	<u>\$ 1,665,827</u>	<u>\$ 2,190,265</u>

Changes in assets held for endowment fund for the year ended September 30, 2016, consist of:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (65,484)	\$ 406,859	\$ 1,665,827	\$ 2,007,202
Dividend and interest income	23,413	14,738	-	38,151
Net realized and unrealized loss	78,777	59,140	-	137,917
Appropriations of endowment assets for expenditures	(32,557)	(26,684)	-	(59,241)
Endowment net assets, end of year	<u>\$ 4,149</u>	<u>\$ 454,053</u>	<u>\$ 1,665,827</u>	<u>\$ 2,124,029</u>

YOUNG LIFE AND SUBSIDIARIES

Notes to Consolidated Financial Statements September 30, 2017 and 2016

11. FAIR VALUE MEASUREMENTS:

Young Life uses appropriate valuation techniques to determine fair value based on inputs available. When possible, Young Life measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were not used during the years ended September 30, 2017 and 2016. The following table displays the fair values of assets measured on a recurring basis at September 30, 2017 and 2016:

	September 30, 2017	Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments and assets held for endowment fund at fair value:			
Money market mutual funds	\$ 8,647,356	\$ 8,647,356	\$ -
Equity securities:			
Small-cap mutual funds	1,191,594	1,191,594	-
Mid-cap mutual funds	6,471,817	6,471,817	-
Large-cap mutual funds	15,893,825	15,893,825	-
Exchange-traded funds	1,549,659	1,549,659	-
International mutual funds	9,386,699	9,386,699	-
International common stock	3,030,209	3,030,209	-
Domestic common stock	11,184,141	11,184,141	-
Fixed income securities:			
U.S. treasury notes and government securities	5,893,113	5,893,113	-
Corporate bonds and notes	8,312,580	8,312,580	-
International corporate bonds and notes	308,227	308,227	-
Fixed income mutual funds	9,979,920	9,979,920	-
Land and land interests	749,424	-	749,424
Other	851,512	-	851,512
	83,450,076	\$ 81,849,140	\$ 1,600,936
Investments held at other than fair value:			
Captive insurance arrangements	8,205,403		
Certificates of deposit	48,439,610		
Investments held at net asset value:			
MLP funds (a)	4,259,159		
Multi-strategy hedge funds (b)	8,133,408		
Equity long/short hedge funds (c)	3,124,455		
	155,612,111		
Less: Assets held for endowment fund	(2,190,265)		
Total Investments	\$ 153,421,846		

YOUNG LIFE AND SUBSIDIARIES

Notes to Consolidated Financial Statements September 30, 2017 and 2016

11. FAIR VALUE MEASUREMENTS, continued:

		Fair Value Measurements Using:	
	September 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments and assets held for endowment fund at fair value:			
Money market mutual funds	\$ 10,951,605	\$ 10,951,605	\$ -
Equity securities:			
Small-cap mutual funds	6,815	6,815	-
Mid-cap mutual funds	5,496,460	5,496,460	-
Large-cap mutual funds	15,640,685	15,640,685	-
International mutual funds	1,473,608	1,473,608	-
Alt. strategy mutual funds	7,135,389	7,135,389	-
Domestic common stock	2,671,720	2,671,720	-
Fixed income securities:	10,532,123	10,532,123	-
U.S. treasury notes and government securities			
Corporate bonds and notes	5,980,792	5,980,792	-
Fixed income mutual funds	7,846,280	7,786,280	60,000
Land and land interests	467,985	467,985	-
Other	8,984,414	8,984,414	-
	754,696	-	754,696
	766,411	-	766,411
	78,708,983	\$ 77,127,876	\$ 1,581,107
Investments held at other than fair value:			
Captive insurance arrangements	7,932,658		
Certificates of deposit	31,239,284		
Investments held at net asset value:			
MLP funds (a)	4,239,298		
Multi-strategy hedge funds (b)	8,210,279		
Equity long/short hedge funds (c)	2,973,754		
	133,304,256		
Less: Assets held for endowment fund	(2,124,029)		
 Total Investments	 \$ 131,180,227		

YOUNG LIFE AND SUBSIDIARIES

Notes to Consolidated Financial Statements September 30, 2017 and 2016

11. FAIR VALUE MEASUREMENTS, continued:

- *Level 1* - Fair values for money market mutual funds, equity securities, and portions of fixed income securities are determined by reference to quoted market prices and other relevant information generated by market transactions.
- *Level 2* - Fair values of certain corporate bonds for which quoted market prices are not available are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Fair value for land and land interests is determined by quoted prices and appraisals for similar properties.

Change in valuation techniques: None.

Young Life uses the Net Asset Value (NAV) as a practical expedient to determine the fair value for all hedge funds which (1) do not have a readily determinable fair value and (2) prepare their financial statements consistent with the measurement principles of an investment company or have attributes of an investment company. At September 30, 2017 and 2016, alternative investments consist of the following:

- (a) MLP funds: This category includes investments in master limited partnerships (MLPs) in the energy, utility, and infrastructure areas. The portfolio combines long-term investments, primarily in publicly and privately traded MLPs, with short-term investments. Privately held MLP investments will typically constitute less than 25% of the funds' net asset value. Redemption of these investments is permitted quarterly with a 45-day notice period.
- (b) Multi-strategy hedge funds: This category includes investments in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The investment objective is to achieve long-term capital appreciation over a several year period with lower volatility than, and low correlation to, broad equity and fixed income indices. The funds' composite portfolio includes investments in U.S. and non-U.S. equities and equity-related instruments, fixed income securities, currencies, futures, forward contracts, swaps, other derivative contracts, mortgage-backed securities, asset-backed securities, and other financial instruments and commodities. Redemption of these investments is permitted quarterly with a 65-day notice period.
- (c) Equity long/short hedge fund: This category includes investments in one hedge fund that takes both long and short positions, primarily in global equity market. The fund manager has the ability to shift investments among differing investment strategies. Redemption of these investments is permitted on a quarterly basis with up to a 70 day notice period.

YOUNG LIFE AND SUBSIDIARIES

Notes to Consolidated Financial Statements September 30, 2017 and 2016

12. EMPLOYEE BENEFIT PLANS:

Young Life has a noncontributory defined contribution pension plan covering substantially all salaried and certain hourly employees. The amount of contributions to the plan by Young Life is based on a percentage (currently 7%) of eligible compensation. New employees are fully vested after five years of continuous service. The nonvested balance is forfeited upon termination of service. Pension contributions for the years ended September 30, 2017 and 2016, were \$7,254,190 and \$6,847,475, respectively. Contributions to the plan are fully funded as of September 30, 2017 and 2016.

Young Life has a 401(k) plan to benefit all eligible employees from the date they begin employment with Young Life. Young Life matches employee contributions up to 4% of eligible compensation. Young Life's contributions to the 401(k) plan for the years ended September 30, 2017 and 2016, were \$4,010,993 and \$3,658,316, respectively.

13. INVESTMENT IN CAPTIVE INSURANCE COMPANIES:

Young Life and eight other not-for-profit organizations are members of an offshore captive insurance holding company entitled Stewardship Insurance, Ltd. (SIL). There is one wholly-owned subsidiary of SIL, Stewardship Reinsurance, Ltd (SRL). In addition, Young Life and two other not-for-profit organizations are members of an offshore stop loss captive entitled Independent Risk Solutions (IRS). IRS provided coverage through December 31, 2013. Young Life accounts for its investments based on the equity method of accounting.

SIL captive insures claims relating to workers' compensation, property, general liability, and auto liability. SIL reinsures the first \$1,000,000 of any claim, of that \$1,000,000 SIL pays the first \$250,000 and SRL pays the next \$750,000 and the next \$1,000,000 is reinsured with a primary insurance carrier. The policy limits are \$2,000,000 with statutory workers' compensation benefits. Umbrella insurance coverage is purchased for claims exceeding \$2,000,000. Claim experience will be identified to each participating entity and subsequent premiums will be modified based on an entity's experience.

Included within investments is \$8,205,403 and \$7,932,658, which represents Young Life's investment in captive insurance as of September 30, 2017 and 2016, respectively, representing 26.9% and 31.5%, respectively, of SIL. Investment balances are measured as of July 31, which represent the most recent data available. Young Life is not aware of any material changes to these balances as of September 30. Young Life has paid \$3,913,321 and \$3,400,937, in premiums to the captives during the years ended September 30, 2017 and 2016, respectively.

YOUNG LIFE AND SUBSIDIARIES

Notes to Consolidated Financial Statements September 30, 2017 and 2016

13. INVESTMENT IN CAPTIVE INSURANCE COMPANIES, continued:

Summary financial information of SIL is as follows:

	July 31, *	
	2017	2016
Total assets	\$ 68,159,000	\$ 61,432,000
Total liabilities	\$ 37,604,000	\$ 36,215,000
Comprehensive income (net of dividends)	\$ 4,680,000	\$ 159,000

* Amounts represent unaudited balances and activities through and for the years ended July 31, 2017 and 2016.

14. LEASE COMMITMENTS:

Young Life has several noncancellable operating leases which expire in various years through the year ending September 30, 2041. Lease expense for the years ended September 30, 2017 and 2016, was \$4,065,631 and \$3,692,610, respectively. Future minimum lease payments are:

<u>Year Ending September 30,</u>	
2018	\$ 2,484,698
2019	941,840
2020	392,027
2021	139,082
2022	76,223
Thereafter	109,000
	<u>\$ 4,142,870</u>

15. COMMITMENTS:

As of September 30, 2017, Young Life was contractually obligated for various projects and events. Outstanding commitments related to these projects and events as of September 30, 2017 were approximately \$16.6 million and are expected to be paid during the year ending September 30, 2018.

16. RELATED PARTY TRANSACTIONS:

Young Life granted approximately \$664,000 and \$652,000 to related party affiliate organizations during the years ended September 30, 2017 and 2016, respectively. These organizations are either non-consolidated yet controlled by Young Life or organizations that have board representation from Young Life officers or key employees. Granted amounts are included within grants to international affiliates on the consolidated statements of activities.

YOUNG LIFE AND SUBSIDIARIES

Notes to Consolidated Financial Statements September 30, 2017 and 2016

17. LITIGATION CONTINGENCY:

Young Life is subject to claims and lawsuits that arise primarily in the ordinary course of activities. In consideration of insurance coverage of these claims, management believes the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets, and cash flows of Young Life. Events could occur that would change this estimate.

18. SUBSEQUENT EVENTS:

Subsequent to September 30, 2017, Young Life received a pledge for a capital donation valued at \$24,000,000. The deed is expected to be transferred during the year ending September 30, 2018.

Subsequent events were evaluated through November 9, 2017, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION**

Board of Trustees
Young Life and Subsidiaries
Colorado Springs, Colorado

We have audited the consolidated financial statements of Young Life and Subsidiaries as of and for the years ended September 30, 2017 and 2016, and our report thereon dated November 9, 2017, which expresses an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations, and they are not a required part of the consolidated financial statements. The consolidated schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Capin Crouse LLP

Colorado Springs, Colorado
November 9, 2017

YOUNG LIFE AND SUBSIDIARIES

Consolidating Statement of Financial Position September 30, 2017

	Young Life		International Subsidiaries		Young Life Foundation	3E Ministry Resources, Inc.	Total	Reclassifications/	Total
	Domestic	Foreign	Camping	Field				Eliminations	
ASSETS:									
Cash and cash equivalents	\$ 1,488,323	\$ -	\$ 1,873,428	\$ 824,736	\$ -	\$ -	\$ 4,186,487	\$ -	\$ 4,186,487
Accounts and other receivables	815,388	6,624	52,482	238,177	175,748	22,585	1,311,004	(175,748)	1,135,256
Pledges receivable, net	-	-	-	-	19,555,741	-	19,555,741	-	19,555,741
Inventory	1,345,194	-	106,087	-	-	6,961	1,458,242	-	1,458,242
Prepaid expenses and other assets	2,322,665	50,289	24,088	13,968	-	-	2,411,010	-	2,411,010
Assets held for sale	-	-	-	-	547,000	-	547,000	-	547,000
Investments	57,712,059	-	22,715	-	96,469,583	-	154,204,357	(782,511)	153,421,846
Cash restricted for long-lived assets	16,126,940	-	430,750	-	-	-	16,557,690	-	16,557,690
Land, buildings, and equipment, net	254,734,237	67,236	16,205,207	268,202	-	-	271,274,882	-	271,274,882
Assets held for endowment fund	-	-	-	-	2,190,265	-	2,190,265	-	2,190,265
Intercompany receivables (payables)	(18,451,320)	14,823,305	(70,151)	27,863	3,635,010	35,293	-	-	-
Total Assets	\$316,093,486	\$ 14,947,454	\$ 18,644,606	\$ 1,372,946	\$122,573,347	\$ 64,839	\$473,696,678	\$ (958,259)	\$472,738,419
LIABILITIES AND NET ASSETS:									
Liabilities:									
Accounts payable and accrued liabilities	\$ 21,515,228	\$ 481,362	\$ 262,791	\$ 62,090	\$ 84,375	\$ 1,383	\$ 22,407,229	\$ (2,806,650)	\$ 19,600,579
Notes payable	1,839,864	-	-	-	297,006	-	2,136,870	(175,748)	1,961,122
Custodial, trust, and annuity obligations	41,225	-	-	-	255,733	-	296,958	-	296,958
	<u>23,396,317</u>	<u>481,362</u>	<u>262,791</u>	<u>62,090</u>	<u>637,114</u>	<u>1,383</u>	<u>24,841,057</u>	<u>(2,982,398)</u>	<u>21,858,659</u>
Net assets:									
Unrestricted:									
Operating	24,533,310	13,541,391	62,054	1,143,015	92,216,948	63,456	131,560,174	1,848,391	133,408,565
Donor advised funds	-	-	-	-	2,177,189	-	2,177,189	-	2,177,189
Cumulative foreign currency translation adjustment	(16,180)	16,192	1,683,804	(100,361)	-	-	1,583,455	-	1,583,455
Equity in land, buildings, and equipment	252,894,373	67,236	16,205,207	268,202	-	-	269,435,018	175,748	269,610,766
	<u>277,411,503</u>	<u>13,624,819</u>	<u>17,951,065</u>	<u>1,310,856</u>	<u>94,394,137</u>	<u>63,456</u>	<u>404,755,836</u>	<u>2,024,139</u>	<u>406,779,975</u>
Temporarily restricted	15,285,666	841,273	430,750	-	25,876,269	-	42,433,958	-	42,433,958
Permanently restricted	-	-	-	-	1,665,827	-	1,665,827	-	1,665,827
	<u>292,697,169</u>	<u>14,466,092</u>	<u>18,381,815</u>	<u>1,310,856</u>	<u>121,936,233</u>	<u>63,456</u>	<u>448,855,621</u>	<u>2,024,139</u>	<u>450,879,760</u>
Total Liabilities and Net Assets	\$316,093,486	\$ 14,947,454	\$ 18,644,606	\$ 1,372,946	\$122,573,347	\$ 64,839	\$473,696,678	\$ (958,259)	\$472,738,419

YOUNG LIFE AND SUBSIDIARIES

Consolidating Statement of Activities Year Ended September 30, 2017

	Young Life		International Subsidiaries		Young Life Foundation	3E Ministry Resources, Inc.	Total	Reclassifications/ Eliminations	
	Domestic	Foreign	Camping	Field				Total	Total
SUPPORT AND REVENUE:									
Contributions-operating	\$221,833,149	\$ 27,586,716	\$ 227,345	\$ 1,201,439	\$ 9,892,625	\$ -	\$260,741,274	\$ 226,572	\$260,967,846
Contributions restricted for capital purchases	3,904,014	1,280,525	300	-	28,711,677	-	33,896,516	-	33,896,516
Intercompany donations	27,456,634	693,735	3,978,542	7,274,375	1,491,994	-	40,895,280	(40,895,280)	-
Program services revenue	68,624,100	1,462,876	1,016,230	326,501	16,197	-	71,445,904	(254,995)	71,190,909
Investment and endowment income	1,199,987	1,857	2,004	3,990	8,101,871	-	9,309,709	-	9,309,709
Change in value of split-interest agreements	-	-	-	-	5,275	-	5,275	-	5,275
Sales income	7,578,978	-	518,382	-	-	47,511	8,144,871	-	8,144,871
Other income (loss)	3,202,310	-	109,763	-	(322,228)	147,768	3,137,613	-	3,137,613
Total Support and Revenue	333,799,172	31,025,709	5,852,566	8,806,305	47,897,411	195,279	427,576,442	(40,923,703)	386,652,739
EXPENSES:									
Salaries and employee benefits	195,723,180	10,593,186	1,059,295	1,928,083	-	17	209,303,761	(7,398,889)	201,904,872
Club and camping activities	46,878,757	2,525,803	695,157	4,609,002	-	2,559	54,711,278	(10,402,976)	44,308,302
Office and property expense	19,903,957	375,300	559,747	748,343	19,137	739	21,607,223	(347,830)	21,259,393
Depreciation and amortization	18,113,403	46,431	1,026,472	13,160	-	-	19,199,466	-	19,199,466
Events and materials	13,162,314	206,705	15,810	44,308	-	-	13,429,137	(342,093)	13,087,044
Travel, moving and conference	13,013,085	1,412,095	172,491	329,149	-	3,120	14,929,940	(2,861,331)	12,068,609
Stores, food and supplies	8,756,063	44,287	692,846	213	-	-	9,493,409	(104,606)	9,388,803
Professional services	10,042,717	221,327	311,717	527,500	271,820	2,039	11,377,120	(2,196,170)	9,180,950
Cost of sales	3,738,171	-	252,924	-	-	43,369	4,034,464	(51,661)	3,982,803
Vehicle expense	2,957,305	80,844	76,374	78,706	-	2,085	3,195,314	-	3,195,314
Miscellaneous	3,511,558	(41,966)	(200,446)	25,582	21,057	36,845	3,352,630	-	3,352,630
Grants to international affiliates	272,333	4,642,704	52,650	104,457	337,279	-	5,409,423	(85,155)	5,324,268
Intercompany donations	1,539,708	9,326,689	416,571	318,878	29,136,857	99,845	40,838,548	(40,838,548)	-
Intercompany charges	1,611,932	691,999	(2,281,409)	(13,789)	(8,738)	5	-	-	-
Intercompany collections	(20,902,443)	-	3,538	-	-	-	(20,898,905)	20,898,905	-
Total Expenses	318,322,040	30,125,404	2,853,737	8,713,592	29,777,412	190,623	389,982,808	(43,730,354)	346,252,454
Change in Net Assets Before Foreign Currency Translation	15,477,132	900,305	2,998,829	92,713	18,119,999	4,656	37,593,634	2,806,651	40,400,285
Foreign currency translation adjustment	-	-	120,418	(32,744)	-	-	87,674	-	87,674
Change in Net Assets	15,477,132	900,305	3,119,247	59,969	18,119,999	4,656	37,681,308	2,806,651	40,487,959
Net Assets, Beginning of Year	277,220,037	13,565,787	15,262,568	1,250,887	103,816,234	58,800	411,174,313	(782,512)	410,391,801
Net Assets, End of Year	\$292,697,169	\$ 14,466,092	\$ 18,381,815	\$ 1,310,856	\$121,936,233	\$ 63,456	\$448,855,621	\$ 2,024,139	\$450,879,760

YOUNG LIFE AND SUBSIDIARIES

Consolidated Schedule of Functional Expenses Year Ended September 30, 2017

	Program Services			Program Services Total	Supporting Activities		Supporting Activities Total	2017 Total Expenses	2016 Total Expenses
	Club Ministries	Camping Operations	Young Life Foundation Operations		Management and General	Fundraising			
Salaries and employee benefits	\$ 140,149,514	\$ 28,668,088	\$ -	\$ 168,817,602	\$ 19,151,799	\$ 13,935,471	\$ 33,087,270	\$ 201,904,872	\$ 188,168,375
Club and camping activities	40,877,733	3,390,799	-	44,268,532	29,908	9,862	39,770	44,308,302	41,218,730
Office and property expense	7,876,419	10,363,657	19,137	18,259,213	2,126,851	873,329	3,000,180	21,259,393	19,948,854
Depreciation and amortization	1,300,893	17,538,378	-	18,839,271	277,699	82,496	360,195	19,199,466	18,521,047
Events and materials	2,101,281	-	-	2,101,281	2,629,069	8,356,694	10,985,763	13,087,044	12,319,306
Travel, moving and conference	8,910,387	1,276,853	-	10,187,240	1,069,605	811,764	1,881,369	12,068,609	18,367,083
Stores, food and supplies	184,217	9,082,857	-	9,267,074	121,729	-	121,729	9,388,803	9,304,131
Professional services	2,933,963	3,354,393	271,820	6,560,176	2,163,148	457,626	2,620,774	9,180,950	7,821,786
Cost of sales	64,500	3,900,910	-	3,965,410	7,804	9,589	17,393	3,982,803	3,975,716
Vehicle expense	2,948,787	25,393	-	2,974,180	119,677	101,457	221,134	3,195,314	3,074,445
Miscellaneous	1,692,389	-	61,634	1,754,023	1,524,987	73,620	1,598,607	3,352,630	2,708,962
Grants to international affiliates	4,858,014	59,203	337,279	5,254,496	46,548	23,224	69,772	5,324,268	5,712,819
2017 Total Expenses	\$ 213,898,097	\$ 77,660,531	\$ 689,870	\$ 292,248,498	\$ 29,268,824	\$ 24,735,132	\$ 54,003,956	\$ 346,252,454	\$ 331,141,254
Percent of 2017 Total Expenses	61.8%	22.4%	0.2%	84.4%	8.5%	7.1%	15.6%	100.0%	
2016 Total Expenses	\$ 204,118,037	\$ 77,150,408	\$ 465,488	\$ 281,733,933	\$ 26,418,618	\$ 22,988,703	\$ 49,407,321	\$ 331,141,254	
Percent of 2016 Total Expenses	61.6%	23.4%	0.1%	85.1%	8.0%	6.9%	14.9%	100.0%	