



## YOUNG LIFE AND SUBSIDIARIES

Consolidated Financial Statements  
With Independent Auditors' Report

September 30, 2020 and 2019

# YOUNG LIFE

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## 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, which comprise the consolidated statements of financial position as of September 30, 2020 and 2019, 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.

### *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 controls 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 controls relevant to the entity'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 the entity's internal controls. 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, 2020 and 2019, 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 11, 2020

# YOUNG LIFE

## Consolidated Statements of Financial Position September 30, 2020 and 2019

	2020	2019
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 11,524,405	\$ 13,840,242
Accounts and other receivables	647,760	1,090,515
Inventory	2,588,183	1,767,278
Prepaid expenses and other assets	4,388,436	4,829,215
Assets held for sale	28,082,490	17,514,484
Pledges receivable, net	35,807,524	44,283,294
Investments	169,039,797	159,452,356
Cash restricted for long-lived assets	16,159,984	21,818,640
Land, buildings, and equipment, net	299,191,628	312,927,807
Assets held for endowment fund	2,158,469	2,163,236
	<u>\$ 569,588,676</u>	<u>\$ 579,687,067</u>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 18,872,801	\$ 25,537,808
Notes payable	1,370,332	1,579,447
Custodial, trust, and annuity obligations	244,043	242,836
	<u>20,487,176</u>	<u>27,360,091</u>
<b>Net assets:</b>		
<b>Without donor restrictions:</b>		
Operating	472,505,457	464,966,476
Donor advised funds	9,678,629	8,654,758
Cumulative foreign currency translation adjustment	357,012	675,501
	<u>482,541,098</u>	<u>474,296,735</u>
<b>With donor restrictions</b>	<u>66,560,402</u>	<u>78,030,241</u>
	<u>549,101,500</u>	<u>552,326,976</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 569,588,676</u>	<u>\$ 579,687,067</u>

See notes to consolidated financial statements

# YOUNG LIFE

## Consolidated Statement of Activities Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>			
Contributions-operating	\$ 286,112,626	\$ 11,676,246	\$ 297,788,872
Contributions restricted for capital purchases	-	21,993,188	21,993,188
Program services revenue	29,506,284	-	29,506,284
Investment and endowment income	7,075,659	470,772	7,546,431
Change in value of split-interest agreements	116,903	13,851	130,754
Sales income	2,324,831	-	2,324,831
Loss on write down of land and buildings	(931,743)	-	(931,743)
Other income	2,677,100	-	2,677,100
<b>Total Support and Revenue</b>	<b>326,881,660</b>	<b>34,154,057</b>	<b>361,035,717</b>
<b>NET ASSETS RELEASED:</b>			
Satisfaction of purpose and time restrictions	45,623,896	(45,623,896)	-
<b>EXPENSES:</b>			
Program services:			
Club ministries	228,818,739	-	228,818,739
Camping operations	69,307,654	-	69,307,654
Young Life Foundation	3,097,761	-	3,097,761
	<u>301,224,154</u>	<u>-</u>	<u>301,224,154</u>
Supporting activities:			
Management and general	34,861,525	-	34,861,525
Fundraising	27,808,948	-	27,808,948
	<u>62,670,473</u>	<u>-</u>	<u>62,670,473</u>
<b>Total Expenses</b>	<b>363,894,627</b>	<b>-</b>	<b>363,894,627</b>
Change in Net Assets Before Foreign Currency Translation Adjustments	8,610,929	(11,469,839)	(2,858,910)
Foreign currency translation adjustments	(366,567)	-	(366,567)
Change in Net Assets	8,244,362	(11,469,839)	(3,225,477)
Net Assets, Beginning of Year	474,296,735	78,030,241	552,326,976
Net Assets, End of Year	<u>\$ 482,541,097</u>	<u>\$ 66,560,402</u>	<u>\$ 549,101,499</u>

See notes to consolidated financial statements

# YOUNG LIFE

## Consolidated Statement of Activities Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>			
Contributions-operating	\$ 265,522,504	\$ 30,531,559	\$ 296,054,063
Contributions restricted for capital purchases	-	41,183,741	41,183,741
Program services revenue	78,447,428	-	78,447,428
Investment and endowment income	6,909,487	286,020	7,195,507
Change in value of split-interest agreements	70,778	24,381	95,159
Sales income	8,913,934	-	8,913,934
Loss on write down of land and buildings	(11,835,757)	-	(11,835,757)
Other income	6,847,951	-	6,847,951
<b>Total Support and Revenue</b>	<b>354,876,325</b>	<b>72,025,701</b>	<b>426,902,026</b>
<b>NET ASSETS RELEASED:</b>			
Satisfaction of purpose and time restrictions	70,131,075	(70,131,075)	-
<b>EXPENSES:</b>			
Program services:			
Club ministries	244,673,010	-	244,673,010
Camping operations	88,682,242	-	88,682,242
Young Life Foundation	672,071	-	672,071
	<u>334,027,323</u>	<u>-</u>	<u>334,027,323</u>
Supporting activities:			
Management and general	33,511,819	-	33,511,819
Fundraising	28,824,186	-	28,824,186
	<u>62,336,005</u>	<u>-</u>	<u>62,336,005</u>
<b>Total Expenses</b>	<b>396,363,328</b>	<b>-</b>	<b>396,363,328</b>
Change in Net Assets Before Foreign Currency Translation Adjustments	28,644,072	1,894,626	30,538,698
Foreign currency translation adjustments	(650,583)	-	(650,583)
Change in Net Assets	27,993,489	1,894,626	29,888,115
Net Assets, Beginning of Year	446,303,246	76,135,615	522,438,861
Net Assets, End of Year	<u>\$ 474,296,735</u>	<u>\$ 78,030,241</u>	<u>\$ 552,326,976</u>

See notes to consolidated financial statements

# YOUNG LIFE

## Consolidated Statement of Functional Expenses Year Ended September 30, 2020

	Program Services			Program Services Total	Supporting Activities		Supporting Activities Total	2020 Total Expenses	2019 Total Expenses
	Club Ministries	Camping Operations	Young Life Foundation Operations		Management and General	Fundraising			
Salaries and employee benefits	\$ 171,355,471	\$ 29,751,004	\$ -	\$ 201,106,475	\$ 23,219,130	\$19,263,302	\$ 42,482,432	\$ 243,588,907	\$ 234,650,108
Depreciation and amortization	1,628,244	19,084,311	-	20,712,555	864,984	2,388	867,372	21,579,927	21,149,919
Office and property expense	8,560,322	6,856,148	46,024	15,462,494	3,515,222	764,440	4,279,662	19,742,156	25,379,625
Travel, moving, and conference	15,666,524	851,480	-	16,518,004	991,577	193,171	1,184,748	17,702,752	15,250,539
External camp and transportation rentals	13,545,039	199,968	-	13,745,007	9,504	8,648	18,152	13,763,159	30,415,034
Insurance premiums	4,677,530	6,415,735	-	11,093,265	1,573,341	-	1,573,341	12,666,606	11,591,247
Professional services	4,087,181	1,967,175	261,228	6,315,584	2,602,869	674,147	3,277,016	9,592,600	11,845,765
Events and materials	878,799	-	92,093	970,892	1,814,560	6,796,517	8,611,077	9,581,969	13,777,617
Grants to international affiliates	5,718,380	83,040	2,698,416	8,499,836	41,505	35,217	76,722	8,576,558	6,184,049
Food and ministry supplies	408,755	2,777,725	-	3,186,480	114,144	31,771	145,915	3,332,395	15,084,818
Vehicle expense	2,180,884	189,400	-	2,370,284	114,689	39,347	154,036	2,524,320	3,942,320
Cost of sales	111,610	1,131,668	-	1,243,278	-	-	-	1,243,278	4,124,000
Miscellaneous	-	-	-	-	-	-	-	-	2,968,287
<b>2020 Total Expenses</b>	<b>\$ 228,818,739</b>	<b>\$ 69,307,654</b>	<b>\$ 3,097,761</b>	<b>\$ 301,224,154</b>	<b>\$ 34,861,525</b>	<b>\$ 27,808,948</b>	<b>\$ 62,670,473</b>	<b>\$ 363,894,627</b>	<b>\$ 396,363,328</b>
Percent of 2020 Total Expenses	62.9%	19.0%	0.9%	82.8%	9.6%	7.6%	17.2%	100.0%	
<b>2019 Total Expenses</b>	<b>\$ 244,673,010</b>	<b>\$ 88,682,242</b>	<b>\$ 672,071</b>	<b>\$ 334,027,323</b>	<b>\$ 33,511,819</b>	<b>\$ 28,824,186</b>	<b>\$ 62,336,005</b>	<b>\$ 396,363,328</b>	
Percent of 2019 Total Expenses	61.7%	22.4%	0.2%	84.3%	8.4%	7.3%	15.7%	100.0%	

See notes to consolidated financial statements



# YOUNG LIFE

## Consolidated Statement of Functional Expenses Year Ended September 30, 2019

(with summarized comparative financial information for the year ended September 30, 2018)

	Program Services			Program Services Total	Supporting Activities		Supporting Activities Total	2019 Total Expenses	2018 Total Expenses
	Club Ministries	Camping Operations	Young Life Foundation Operations		Management and General	Fundraising			
Salaries and employee benefits	\$ 162,451,960	\$ 32,480,875	\$ -	\$ 194,932,835	\$ 23,484,363	\$ 16,232,910	\$ 39,717,273	\$ 234,650,108	\$ 218,890,021
External camp and transportation rentals	29,342,013	1,050,663	-	30,392,676	21,611	747	22,358	30,415,034	28,318,182
Office and property expense	12,303,176	10,255,099	27,479	22,585,754	1,460,863	1,333,008	2,793,871	25,379,625	23,107,757
Depreciation and amortization	1,914,955	18,808,123	-	20,723,078	379,066	47,775	426,841	21,149,919	19,860,809
Travel, moving, and conference	12,550,993	1,849,153	-	14,400,146	-	850,393	850,393	15,250,539	13,656,069
Events and materials	1,443,517	-	-	1,443,517	2,930,386	9,403,714	12,334,100	13,777,617	13,655,054
Professional services	3,806,581	4,430,207	232,727	8,469,515	2,621,151	755,099	3,376,250	11,845,765	11,455,152
Insurance premiums	5,747,049	5,419,316	-	11,166,365	424,882	-	424,882	11,591,247	10,927,956
Food and ministry supplies	4,895,552	10,042,508	-	14,938,060	146,758	-	146,758	15,084,818	13,771,642
Grants to international affiliates	5,291,780	590	379,750	5,672,120	475,644	36,285	511,929	6,184,049	6,299,616
Cost of sales	44,739	4,077,847	-	4,122,586	1,414	-	1,414	4,124,000	4,016,746
Vehicle expense	3,371,299	267,861	-	3,639,160	178,134	125,026	303,160	3,942,320	3,353,874
Miscellaneous	1,509,396	-	32,115	1,541,511	1,387,547	39,229	1,426,776	2,968,287	2,025,538
<b>2019 Total Expenses</b>	<b>\$ 244,673,010</b>	<b>\$ 88,682,242</b>	<b>\$ 672,071</b>	<b>\$ 334,027,323</b>	<b>\$ 33,511,819</b>	<b>\$ 28,824,186</b>	<b>\$ 62,336,005</b>	<b>\$ 396,363,328</b>	<b>\$ 369,338,416</b>
Percent of 2019 Total Expenses	61.7%	22.4%	0.2%	84.3%	8.4%	7.3%	15.7%	100.0%	
<b>2018 Total Expenses</b>	<b>\$ 227,540,824</b>	<b>\$ 82,216,931</b>	<b>\$ 520,325</b>	<b>\$ 310,278,080</b>	<b>\$ 32,966,902</b>	<b>\$ 26,093,434</b>	<b>\$ 59,060,336</b>	<b>\$ 369,338,416</b>	
Percent of 2018 Total Expenses	61.6%	22.3%	0.1%	84.0%	8.9%	7.1%	16.0%	100.0%	

See notes to consolidated financial statements

# YOUNG LIFE

## Consolidated Statements of Cash Flows Years Ended September 30, 2020 and 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (3,225,477)	\$ 29,888,115
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	21,579,927	21,149,919
Bad debt and doubtful pledge expense	3,376,994	435,598
Loss on disposal of land, buildings, and equipment	(474,051)	(199,915)
(Gain) loss on disposal of assets held for sale	(94,206)	25,366
Loss on impairment of assets held for sale	1,500,000	12,015,656
Realized and unrealized gains on investments	(2,733,559)	(271,461)
Gain on investment in captive insurance companies	(520,300)	(1,574,370)
Change in value of split-interest agreements	(130,754)	(95,159)
Reinvested dividends	(3,114,831)	(3,140,936)
Capitalized and held for sale in-kind contributions	(14,846,564)	(729,746)
Foreign currency translation	366,567	650,583
Contributions received restricted for long-lived assets	(13,145,438)	(27,528,751)
Changes in operating assets and liabilities:		
Accounts and other receivables	434,422	146,062
Pledges receivable	5,107,109	(8,748,458)
Inventory	(820,905)	(214,242)
Prepaid expenses and other assets	440,779	(2,171,725)
Accounts payable and accrued liabilities	(6,665,007)	4,816,403
Custodial, trust, and annuity obligations	1,207	(23,810)
Net Cash Provided (Used) by Operating Activities	(12,964,087)	24,429,129
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(40,235,197)	(75,900,015)
Proceeds from sales of investments	44,570,354	102,736,525
Purchases of land, buildings, and equipment	(26,902,640)	(65,628,840)
Proceeds from sales of land, buildings, and equipment	2,757,018	789,063
Proceeds from sales of assets held for sale	12,141,617	229,634
Net Cash Used by Investing Activities	(7,668,848)	(37,773,633)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on notes payable	(209,115)	(196,753)
Reinvested dividends of assets held for endowment fund	(42,959)	(50,224)
(Gain) loss on assets held for endowment fund	(80,334)	3,168
Distributions of assets held for endowment fund	128,060	90,948
Proceeds from contributions for long-lived assets	13,145,438	27,528,751
Net Cash Provided by Financing Activities	12,941,090	27,375,890
Effect of Exchange Rate Changes on Cash	(282,649)	(332,151)
Net Change in Cash, Cash Equivalents, and Cash Restricted for Long-Lived Assets	(7,974,494)	13,699,235
Cash, Cash Equivalents, and Cash Restricted for Long-Lived Assets, Beginning of Year	35,658,882	21,959,647
Cash, Cash Equivalents, and Cash Restricted for Long-Lived Assets, End of Year	\$ 27,684,388	\$ 35,658,882

See notes to consolidated financial statements

# YOUNG LIFE

## Consolidated Statements of Cash Flows Years Ended September 30, 2020 and 2019

(continued)

	2020	2019
CASH, CASH EQUIVALENTS, AND CASH RESTRICTED FOR LONG-LIVED ASSETS CONSISTS OF:		
Cash and cash equivalents	\$ 11,524,405	\$ 13,840,242
Cash restricted for long-lived assets	16,159,984	21,818,640
Total Cash, Cash Equivalents, and Cash Restricted for Long-Lived Assets	<u>\$ 27,684,389</u>	<u>\$ 35,658,882</u>
SUPPLEMENTAL DISCLOSURES:		
Transfer of land, buildings, and equipment to assets held for sale	<u>\$ 16,692,135</u>	<u>\$ 29,423,140</u>
Cash paid for interest	<u>\$ 91,598</u>	<u>\$ 103,696</u>

See notes to consolidated financial statements

# YOUNG LIFE

## Notes to Consolidated Financial Statements September 30, 2020 and 2019

### 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. Through four major operating segments, Young Life operates 7,611 ministries 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 103 countries around the globe. Young Life field staff reach out to all kids and have ministries designed to serve teen moms, kids with disabilities, and kids living in urban or rural areas. Young Life owns and operates 26-world class camping facilities and runs 3 seasonal camping programs 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, 2020 and 2019, include the assets, liabilities, net assets, revenues, and expenses of Young Life, inclusive of Young Life Foundation, 3E Ministry Resources, Inc. (3E), and controlled domestic and foreign subsidiaries that meet baseline reporting requirements. Grants to non-consolidated yet controlled foreign entities are included within related party transactions in Note 18. 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 and comparable state law(s). 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

## Notes to Consolidated Financial Statements September 30, 2020 and 2019

### 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, 2020 and 2019. As of September 30, 2020 and 2019, cash and cash equivalents and cash restricted for long-lived assets held on deposit were in excess of the federally insured limits by approximately \$25,840,000 and \$29,360,000, respectively. However, 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, 2020 and 2019.

#### 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 net realizable value, 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. During the year ended September 30, 2020, \$16,692,135 related to three properties was transferred from land, buildings, and equipment related to assets held for sale. Subsequent to this transfer, an impairment loss of \$1,500,000 was recorded on assets held for sale and a gain on sale of \$94,206 was realized and recorded. During the year ended September 30, 2019, \$29,423,140 related to three properties was transferred from land, buildings, and equipment related to assets held for sale. Subsequent to this transfer, an impairment loss of \$12,015,656 was recorded on those assets.

# YOUNG LIFE

## Notes to Consolidated Financial Statements September 30, 2020 and 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### INVESTMENTS

Young Life's investments, excluding its captive insurance company and certificates of deposit holdings, 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 company 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.

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.

#### 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.

#### ASSETS HELD FOR ENDOWMENT FUND

Young Life's endowment fund consists of three 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 net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the endowment. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions by purpose 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

## Notes to Consolidated Financial Statements September 30, 2020 and 2019

### 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 net assets with donor restrictions as of September 30, 2020 and 2019.

*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 donor 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 net assets with donor restrictions to net assets without donor restrictions as designated by the trust agreement.

# YOUNG LIFE

## Notes to Consolidated Financial Statements September 30, 2020 and 2019

### 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 \$898,000 and \$864,000, as of September 30, 2020 and 2019, 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:

*Net assets without donor restrictions* 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.

*Net assets with donor restrictions* include those by which Young Life's use has been limited by donors to a specific time period or purpose. They also include those that 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 revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. Funds are raised for field operations primarily by the individual areas and regions throughout the United States and internationally. Young Life considers these contributions as support for general field operations and will reallocate resources between individual areas and regions if needed. Accordingly, these contributions are recorded as contributions without donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, 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. 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 with donor restriction and then released from restriction.



# YOUNG LIFE

## Notes to Consolidated Financial Statements September 30, 2020 and 2019

### 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 revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions 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.

#### FUNCTIONAL ALLOCATION OF EXPENSES

The statement of functional expenses reports certain categories of expenses that are attributable to program or support activities of Young Life. Salaries and benefits are allocated based on time and effort, depreciation and amortization is allocated based on the purpose of the fixed asset, and costs of other categories are allocated based on the purpose of the expense.

#### SUMMARIZED COMPARATIVE INFORMATION

The consolidated financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Young Life's consolidated financial statements for the year ended September 30, 2018, from which the summarized information was derived.

# YOUNG LIFE

## Notes to Consolidated Financial Statements September 30, 2020 and 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### RECLASSIFICATIONS

Cash restricted for long-lived assets on the consolidated statements of financial position as of September 30, 2019 was increased by \$13,912,851, and as a result cash and cash equivalents was decreased by the same amount. In Note 10, this same amount was moved from campership and club ministries to capital improvements.

#### RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Young Life adopted the recipient provisions of this new standard during the year ended September 30, 2020. This new standard provides guidance on determining whether transactions should be accounted for as an exchange transaction or a contribution and whether a contribution should be recorded as conditional or unconditional. The provider portions will be adopted during the year ending September 30, 2021. Adoption of this standard had no effect on change in net assets or net assets in total.

During the year ended September 30, 2020, Young Life also adopted the provision of FASB's ASU No. 2016-18 *Restricted Cash*. This new standard provided guidance on certain cash flow classification issues and clarified the presentation requirements for restricted cash on the consolidated statements of cash flows. Adoption of this standard had no effect on change in net assets or net assets in total. As a result of the implementation of this standard, amounts in the consolidated statement of cash flows for the year ended September 30, 2019 were changed to reflect the provisions of the standard.

# YOUNG LIFE

## Notes to Consolidated Financial Statements September 30, 2020 and 2019

### 3. INVESTMENTS AND ASSETS HELD FOR ENDOWMENT FUND:

Investments and assets held for endowment fund consist of:

	September 30, 2020			September 30, 2019		
	Young Life	Foundation	Total	Young Life	Foundation	Total
Money market mutual funds	\$ 21,116	\$ 12,734,335	\$ 12,755,451	\$ 28,755	\$ 6,448,455	\$ 6,477,210
Equity securities	256,333	59,406,688	59,663,021	108,256	57,714,491	57,822,747
Fixed income securities	20,231,108	38,072,119	58,303,227	20,450,577	33,412,576	53,863,153
Land and land interests	-	1,266,458	1,266,458	-	1,158,442	1,158,442
Captive insurance arrangements	8,825,603	-	8,825,603	10,160,053	-	10,160,053
Alternative investments	-	11,472,604	11,472,604	-	13,357,517	13,357,517
Certificates of deposit	18,013,349	-	18,013,349	17,912,173	-	17,912,173
Assets held for gift annuities and trusts	-	898,553	898,553	-	864,297	864,297
	<u>47,347,509</u>	<u>123,850,757</u>	<u>171,198,266</u>	<u>48,659,814</u>	<u>112,955,778</u>	<u>161,615,592</u>
Less: Assets held for endowment fund	-	(2,158,469)	(2,158,469)	-	(2,163,236)	(2,163,236)
Total investments	<u>\$ 47,347,509</u>	<u>\$ 121,692,288</u>	<u>\$ 169,039,797</u>	<u>\$ 48,659,814</u>	<u>\$ 110,792,542</u>	<u>\$ 159,452,356</u>

Investment and endowment income consists of:

	Year Ended September 30, 2020			Year Ended September 30, 2019		
	Young Life	Foundation	Total	Young Life	Foundation	Total
Interest and dividends	\$ 1,310,181	\$ 2,902,057	\$ 4,212,238	\$ 2,259,536	\$ 3,093,308	\$ 5,352,844
Gain on investment in captive insurance arrangements	520,300	-	520,300	1,574,370	-	1,574,370
Net realized and unrealized gain	53,292	2,760,601	2,813,893	30,219	238,074	268,293
	<u>\$ 1,883,773</u>	<u>\$ 5,662,658</u>	<u>\$ 7,546,431</u>	<u>\$ 3,864,125</u>	<u>\$ 3,331,382</u>	<u>\$ 7,195,507</u>

# YOUNG LIFE

## Notes to Consolidated Financial Statements September 30, 2020 and 2019

### 4. PLEDGES RECEIVABLE, NET:

Pledges receivable, net consist of:

	<u>2020</u>	<u>2019</u>
Camp capital purchases or gifts	\$ 20,062,612	\$ 22,891,277
Campership	2,966,666	2,900,000
Field ministries	14,003,750	20,622,191
	<u>37,033,028</u>	<u>46,413,468</u>
Less: Allowance for uncollectible pledges	(1,142,892)	(840,304)
Less: Present value discount	(82,612)	(1,289,870)
	<u>\$ 35,807,524</u>	<u>\$ 44,283,294</u>

At September 30, 2020, pledges receivable are expected to mature as follows:

Due in less than one year	\$ 15,246,691
Due in one to five years	<u>20,560,833</u>
	<u>\$ 35,807,524</u>

Young Life accounts for the present value of pledges receivable using a risk-adjusted discount rate based upon the treasury yield curve for the timeframe discounted. The range used for this rate was between 0.1% - 0.2% during the year ended, September 30, 2020 and 1.6% - 1.8% during the year ended, September 30, 2019. An allowance for uncollectible pledges receivable is recorded based upon collection history.

# YOUNG LIFE

## Notes to Consolidated Financial Statements September 30, 2020 and 2019

### 5. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects Young Life's financial assets reduced by amounts not available for general expenditure within one year as of September 30, 2019. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 11,524,405	\$ 13,840,242
Accounts and other receivables	647,760	1,090,515
Pledges receivable, net	35,807,524	44,283,294
Investments	169,039,797	159,452,356
Cash restricted for long-lived assets	16,159,984	21,818,640
Assets held for endowment fund	2,158,469	2,163,236
	\$ 235,337,939	\$ 242,648,283
Less those unavailable for general expenditure within one year, due to:		
Donor restrictions:		
Pledges	(27,373,358)	(38,565,794)
Capital cash	(16,159,984)	(21,818,640)
Donor advised funds and trusts	(10,041,465)	(8,370,656)
Campership	(3,924,679)	(2,092,519)
Training and other	(576,710)	(578,635)
Captive insurance arrangement reserve requirements	(6,800,000)	(6,800,000)
Assets held for endowment fund not to be appropriated within one year	(2,045,890)	(2,088,236)
Custodial, trust, and annuity obligations	(244,043)	(242,836)
Accounts and other receivables	(105,011)	(814,646)
	\$ 168,066,799	\$ 161,276,321
Financial assets available to meet cash needs for general expenditures within one year		

The ministry of Young Life is substantially supported by contributions from donors giving to over 2,800 area, regional, or camping mission units that directly support ministry work in local communities all around the world. The financial assets available to meet cash needs for general expenditures within one year are being held for certain management designated purposes including nearly \$26 million for costs associated with benefits, insurance, and camping properties maintenance. Additionally, management considers cash reserves representing 3 months of operating expenses to be adequate, which at September 30, 2020 and 2019, approximates \$91 million and \$105 million, respectively.

# YOUNG LIFE

## Notes to Consolidated Financial Statements September 30, 2020 and 2019

### 6. LAND, BUILDINGS, AND EQUIPMENT, NET:

Land, buildings, and equipment, net consist of:

	2020	2019
Land	\$ 49,482,075	\$ 59,214,622
Buildings and improvements	423,313,582	410,015,210
Furniture and equipment	67,475,149	64,919,064
Marine equipment	2,384,482	2,520,678
Vehicles and other	10,583,966	10,654,350
	553,239,254	547,323,924
Accumulated depreciation	(269,200,446)	(253,566,040)
	284,038,808	293,757,884
Construction in progress	15,152,820	19,169,923
	\$ 299,191,628	\$ 312,927,807

Equity in land, buildings, and equipment consists of:

Land, buildings, and equipment, net	\$ 299,191,628	\$ 312,927,807
Less: related note payable	(1,142,400)	(1,327,453)
	\$ 298,049,228	\$ 311,600,354

### 7. NOTES PAYABLE:

Notes payable consists of:

	2020	2019
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.	\$ 1,142,400	\$ 1,327,453
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.	227,932	251,994
	\$ 1,370,332	\$ 1,579,447

# YOUNG LIFE

## Notes to Consolidated Financial Statements September 30, 2020 and 2019

7. NOTES PAYABLE, continued:

Future minimum payments under notes payable are:

<u>Year Ending September 30,</u>		
2021	\$	222,738
2022		237,013
2023		252,212
2024		268,322
2025		285,745
Thereafter		<u>104,302</u>
	\$	<u><u>1,370,332</u></u>

Young Life was in compliance with all financial and reporting covenants at, September 30, 2020 and 2019.

8. MEDICAL CLAIMS RESERVE:

Young Life has a self-insured employee group medical plan. Insurance policies in force at September 30, 2020 and 2019, limit Young Life's liability to \$350,000 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, totaling \$3,427,000 and \$3,597,000 as of September 30, 2020 and 2019, respectively. These amounts are included in accounts payable and accrued liabilities on the consolidated statements of financial position.

9. 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 \$4,966,520 and \$6,875,117 as of September 30, 2020 and 2019, respectively, and is included in accounts payable and accrued liabilities on the consolidated statements of financial position.

10. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	<u>2020</u>	<u>2019</u>
Capital improvements	\$ 35,574,460	\$ 43,646,210
Campership and club ministries	28,311,337	31,736,094
Endowments restricted in perpetuity	1,665,827	1,665,827
Other	576,710	578,635
Trust agreement	<u>432,068</u>	<u>403,475</u>
	<u>\$ 66,560,402</u>	<u>\$ 78,030,241</u>

# YOUNG LIFE

## Notes to Consolidated Financial Statements September 30, 2020 and 2019

### 11. ASSETS HELD FOR ENDOWMENT FUND:

Assets held for endowment fund are as follows:

	2020	2019
Without donor restrictions	\$ 12,045	\$ 10,332
With donor restrictions:		
Restricted in perpetuity	1,665,827	1,665,827
Restricted by purpose or time	480,597	487,077
	\$ 2,158,469	\$ 2,163,236

Changes in assets held for endowment fund for the year ended September 30, 2020, consist of:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 10,332	\$ 2,152,904	\$ 2,163,236
Dividend and interest income	26,829	16,130	42,959
Net realized and unrealized losses	43,843	36,491	80,334
Appropriations of endowment assets for expenditures	(68,959)	(59,101)	(128,060)
Endowment net assets, end of year	\$ 12,045	\$ 2,146,424	\$ 2,158,469

Changes in assets held for endowment fund for the year ended September 30, 2019, consist of:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 11,471	\$ 2,195,657	\$ 2,207,128
Dividend and interest income	30,907	19,317	50,224
Net realized and unrealized gains	(2,857)	(311)	(3,168)
Appropriations of endowment assets for expenditures	(29,189)	(61,759)	(90,948)
Endowment net assets, end of year	\$ 10,332	\$ 2,152,904	\$ 2,163,236



# YOUNG LIFE

## Notes to Consolidated Financial Statements September 30, 2020 and 2019

### 12. 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, 2020 and 2019. The following table displays the fair values of assets measured on a recurring basis at September 30, 2020 and 2019:

	September 30, 2020	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	\$ 12,755,451	\$ 12,755,451	\$ -
Equity securities	59,663,021	59,663,021	-
Fixed income securities	58,303,227	12,870,733	45,432,494
Land and land interests	1,266,458	-	1,266,458
Assets held for gift annuities and trusts	898,553	-	898,553
	132,886,710	\$ 85,289,205	\$ 47,597,505
Investments held at other than fair value:			
Captive insurance company	8,825,603		
Certificates of deposit	18,013,349		
Investments held at net asset value:			
MLP funds (a)	3,069,168		
Multi-strategy hedge funds (b)	2,082,377		
Equity long/short hedge funds (c)	4,262,687		
Real estate fund (d)	2,058,372		
	171,198,266		
Less: Assets held for endowment fund	(2,158,469)		
 Total Investments	 \$ 169,039,797		

# YOUNG LIFE

## Notes to Consolidated Financial Statements September 30, 2020 and 2019

### 12. FAIR VALUE MEASUREMENTS, continued:

	September 30, 2019	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	\$ 6,477,210	\$ 6,477,210	\$ -
Equity securities	57,822,747	57,822,747	-
Fixed income securities	53,863,153	30,307,181	23,555,972
Land and land interests	1,158,442	-	1,158,442
Assets held for gift annuities and trusts	864,297	-	864,297
	120,185,849	\$ 94,607,138	\$ 25,578,711
Investments held at other than fair value:			
Captive insurance company	10,160,053		
Certificates of deposit	17,912,173		
Investments held at net asset value:			
MLP funds (a)	5,196,190		
Multi-strategy hedge funds (b)	2,340,011		
Equity long/short hedge funds (c)	3,808,022		
Real estate fund (d)	2,013,294		
	161,615,592		
Less: Assets held for endowment fund	(2,163,236)		
Total Investments	\$ 159,452,356		

# YOUNG LIFE

## Notes to Consolidated Financial Statements September 30, 2020 and 2019

### 12. 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 consolidated financial statements consistent with the measurement principles of an investment company or have attributes of an investment company. At September 30, 2020 and 2019, alternative investments consist of the following:

- (a) MLP funds: This category includes investments in master limited partnerships (MLPs) in energy, utility, and infrastructure areas. The portfolio combines long-term investments, primarily in publicly traded and privately held equity and debt securities of energy and infrastructure companies, with short-term investments in such securities. Privately held investments will typically constitute less than 25% of the fund's net asset value. Redemption of these investments is permitted quarterly with a 45-day notice.
- (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-of-funds which invests with other individual hedge fund managers that take both long and short positions across global equity markets. 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.
- (d) Real Estate Fund: This category includes an equity investment into fully-leased (95%+) and operational commercial properties, including industrial, office, apartment, retail, and hotels in major market through a commingled fund that owns / manages properties in major metropolitan areas across the United States. The objective is for both capital appreciation and income generation over the long-term, with less volatility than the equities market, higher income than traditional bonds, and low correlation to both.

# YOUNG LIFE

## Notes to Consolidated Financial Statements September 30, 2020 and 2019

### 13. EMPLOYEE BENEFIT PLANS:

Young Life had a noncontributory defined contribution pension plan covering substantially all salaried and certain hourly employees based on a percentage of eligible compensation. New employees were fully vested after five years of continuous service. The nonvested balance was forfeited upon termination of service. Pension contributions for the years ended September 30, 2020 and 2019, were \$2,159,224 and \$8,347,403, respectively. This plan ended December 31, 2019.

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, 2020 and 2019, were \$5,540,094 and \$4,715,541, respectively.

Beginning January 1, 2020, Young Life amended the 401(k) plan to make contributions to all eligible employees based on a percentage of eligible compensation. Eligible employees are current employees who have worked a combined 36 months for Young Life or worked for Young Life as of December 31, 2019. Retirement contributions for the years ended September 30, 2020 and 2019, were \$8,151,932 and \$0, respectively.

### 14. INVESTMENT IN CAPTIVE INSURANCE COMPANY:

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 (SRE). 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 SRE 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 \$8,825,603 and \$10,160,053, which represents Young Life's investment in captive insurance, as of September 30, 2020 and 2019, respectively, representing 29% for both years ended, 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 \$4,519,490 and \$4,237,048, in premiums to the captives during the years ended September 30, 2020 and 2019, respectively.

# YOUNG LIFE

## Notes to Consolidated Financial Statements September 30, 2020 and 2019

### 14. INVESTMENT IN CAPTIVE INSURANCE COMPANY, continued:

Summary financial information of SIL is as follows:

	July 31, *	
	2020	2019
Total assets	\$ 71,328,236	\$ 70,673,920
Total liabilities	\$ 37,170,260	\$ 35,699,439
Comprehensive income (loss) (net of dividends)	\$ (640,994)	\$ 1,609,000

\* Amounts represent unaudited balances and activities through and for the years ended July 31, 2020 and 2019.

### 15. ALLOCATION OF JOINT COSTS:

For the years ended September 30, 2020 and 2019, Young Life incurred joint costs of \$9,581,969 and \$13,777,617, respectively, for fundraising events and informational materials that include program, administrative, and fundraising components. During the year ended September 30, 2020, \$970,892 of those costs were allocated to program services, \$1,814,560 to management and general, and \$6,796,517 to fundraising. During the year ended September 30, 2019, \$1,443,517 of those costs were allocated to program services, \$2,930,386 to management and general, and \$9,403,714 to fundraising.

### 16. LEASE COMMITMENTS:

Young Life has several noncancellable operating leases which expire in various years. Lease expense for the years ended September 30, 2020 and 2019, was \$2,778,730 and \$4,286,492, respectively. Future minimum lease payments are:

<u>Year Ending September 30,</u>	
2021	\$ 1,452,905
2022	616,846
2023	228,046
2024	60,162
2025	15,350
Thereafter	113,888
	<u>\$ 2,487,197</u>

### 17. COMMITMENTS:

As of September 30, 2020 and 2019, Young Life was contractually obligated for various projects and events. Outstanding commitments related to these projects and events as of September 30, 2020 and 2019, were approximately \$2.7 million and \$8.6 million, respectively, and are expected to be paid during the years ending September 30, 2021 and 2020, respectively.

# YOUNG LIFE

## Notes to Consolidated Financial Statements September 30, 2020 and 2019

### 18. RELATED PARTY TRANSACTIONS:

During the years ended September 30, 2020 and 2019, members of the Board of Trustees made contributions to Young Life of approximately \$3,370,000 and \$15,600,000, respectively. Pledges receivable due from members of the Board of Trustees totaled approximately \$4,200,000 and \$4,360,000 as of the years ended September 30, 2020 and 2019, respectively.

Young Life granted approximately \$1,210,000 and \$885,000, to related party affiliate organizations during the years ended September 30, 2020 and 2019, 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.

### 19. 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.

### 20. RISKS AND UNCERTAINTIES:

In March of 2020, 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 volatility in financial markets. Young Life was unable to operate its normal camping program in the spring and summer due to governmental actions taken to control the spread of the virus. This caused a material reduction in revenue, contributions, and expenses associated with Young Life's Camping mission activities. Management is carefully monitoring the situation and evaluating its options as circumstances evolve. 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 Young Life for future periods.

### 21. SUBSEQUENT EVENTS:

Subsequent events were evaluated through November 11, 2020, which is the date the consolidated 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, 2020 and 2019, and our report thereon dated November 11, 2020, 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. 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 11, 2020



# YOUNG LIFE

## Consolidating Statement of Financial Position September 30, 2020

	Young Life		International Subsidiaries		Young Life Foundation	3E Ministry Resources, Inc.	Total	Reclassifications/ Eliminations	
	Domestic	Foreign	Camping	Field				Total	Total
<b>ASSETS:</b>									
Cash and cash equivalents	\$ 9,819,108	\$ -	\$ 568,538	\$ 1,067,401	\$ -	\$ -	\$ 11,455,047	\$ 69,358	\$ 11,524,405
Accounts and other receivables	436,166	-	41,319	164,992	93,457	5,283	741,217	(93,457)	647,760
Inventory	2,431,714	-	148,355	-	-	8,114	2,588,183	-	2,588,183
Prepaid expenses and other assets	4,361,436	-	16,316	10,684	-	-	4,388,436	-	4,388,436
Assets held for sale	21,647,490	-	-	-	6,435,000	-	28,082,490	-	28,082,490
Pledges receivable, net	-	-	-	-	35,807,524	-	35,807,524	-	35,807,524
Investments	48,108,878	-	21,142	-	121,692,288	-	169,822,308	(782,511)	169,039,797
Cash restricted for long-lived assets	14,535,811	612,420	1,011,753	-	-	-	16,159,984	-	16,159,984
Land, buildings, and equipment, net	281,223,565	1,434,212	16,279,937	253,914	-	-	299,191,628	-	299,191,628
Assets held for endowment fund	-	-	-	-	2,158,469	-	2,158,469	-	2,158,469
Intercompany receivables (payables)	(25,178,932)	21,232,044	(2,064,497)	10,920	6,016,602	53,221	69,358	(69,358)	-
<b>Total Assets</b>	<b>\$357,385,236</b>	<b>\$ 23,278,676</b>	<b>\$ 16,022,863</b>	<b>\$ 1,507,911</b>	<b>\$172,203,340</b>	<b>\$ 66,618</b>	<b>\$570,464,644</b>	<b>\$ (875,968)</b>	<b>\$569,588,676</b>
<b>LIABILITIES AND NET ASSETS:</b>									
<b>Liabilities:</b>									
Accounts payable and accrued liabilities	\$ 17,335,199	\$ 60,225	\$ 69,809	\$ 263,171	\$ 1,143,672	\$ 725	\$ 18,872,801	\$ -	\$ 18,872,801
Notes payable	1,235,857	-	-	-	227,932	-	1,463,789	(93,457)	1,370,332
Custodial, trust, and annuity obligations	37,105	-	-	-	206,938	-	244,043	-	244,043
	<u>18,608,161</u>	<u>60,225</u>	<u>69,809</u>	<u>263,171</u>	<u>1,578,542</u>	<u>725</u>	<u>20,580,633</u>	<u>(93,457)</u>	<u>20,487,176</u>
<b>Net assets:</b>									
<b>Without donor restrictions:</b>									
Operating	323,601,899	22,219,137	14,496,835	1,375,077	111,529,127	65,893	473,287,968	(782,511)	472,505,457
Donor advised funds	-	-	-	-	9,678,629	-	9,678,629	-	9,678,629
Cumulative foreign currency translation adjustment	190,823	(147,940)	444,466	(130,337)	-	-	357,012	-	357,012
	<u>323,792,722</u>	<u>22,071,197</u>	<u>14,941,301</u>	<u>1,244,740</u>	<u>121,207,756</u>	<u>65,893</u>	<u>483,323,609</u>	<u>(782,511)</u>	<u>482,541,098</u>
<b>With donor restrictions</b>	<u>14,984,353</u>	<u>1,147,254</u>	<u>1,011,753</u>	<u>-</u>	<u>49,417,042</u>	<u>-</u>	<u>66,560,402</u>	<u>-</u>	<u>66,560,402</u>
	<u>338,777,075</u>	<u>23,218,451</u>	<u>15,953,054</u>	<u>1,244,740</u>	<u>170,624,798</u>	<u>65,893</u>	<u>549,884,011</u>	<u>(782,511)</u>	<u>549,101,500</u>
<b>Total Liabilities and Net Assets</b>	<b>\$357,385,236</b>	<b>\$ 23,278,676</b>	<b>\$ 16,022,863</b>	<b>\$ 1,507,911</b>	<b>\$172,203,340</b>	<b>\$ 66,618</b>	<b>\$570,464,644</b>	<b>\$ (875,968)</b>	<b>\$569,588,676</b>

# YOUNG LIFE

## Consolidating Statement of Activities Year Ended September 30, 2020

	Young Life		International Subsidiaries		Young Life	3E Ministry	Total	Reclassifications/	Total
	Domestic	Foreign	Camping	Field	Foundation	Resources, Inc.		Eliminations	
<b>SUPPORT AND REVENUE:</b>									
Contributions-operating	\$242,421,592	\$ 27,728,704	\$ 151,684	\$ 1,296,504	\$ 26,003,881	\$ -	\$297,602,365	\$ 186,507	\$297,788,872
Contributions restricted for capital purchases	13,299,653	274,938	-	-	8,418,597	-	21,993,188	-	21,993,188
Intercompany donations	25,645,051	9,629,982	1,962,813	7,193,984	8,376,419	-	52,808,249	(52,808,249)	-
Program services revenue	28,141,492	676,455	415,963	257,523	14,851	-	29,506,284	-	29,506,284
Investment and endowment income (loss)	1,881,127	-	(494)	3,140	5,662,658	-	7,546,431	-	7,546,431
Change in value of split-interest agreements	-	-	-	-	130,754	-	130,754	-	130,754
Sales income	2,296,279	919	18,986	-	-	8,647	2,324,831	-	2,324,831
Gain (loss) on write down of land and buildings	(1,134,602)	-	150,943	-	51,916	-	(931,743)	-	(931,743)
Other income	2,442,480	96	40,836	-	9,375	184,313	2,677,100	-	2,677,100
<b>Total Support and Revenue</b>	<b>314,993,072</b>	<b>38,311,094</b>	<b>2,740,731</b>	<b>8,751,151</b>	<b>48,668,451</b>	<b>192,960</b>	<b>413,657,459</b>	<b>(52,621,742)</b>	<b>361,035,717</b>
<b>EXPENSES:</b>									
Salaries and employee benefits	235,401,907	11,736,478	974,578	4,170,074	-	6,796	252,289,833	(8,700,926)	243,588,907
Depreciation and amortization	20,480,881	54,183	1,040,404	4,459	-	-	21,579,927	-	21,579,927
Office and property expense	18,420,403	347,958	164,633	782,169	38,357	1,202	19,754,722	(12,566)	19,742,156
Travel, moving, and conference	19,151,491	1,986,865	48,086	302,001	5,462	-	21,493,905	(3,791,154)	17,702,751
External camp and transportation rentals	11,646,925	186,716	-	1,929,518	-	-	13,763,159	-	13,763,159
Insurance premiums	12,420,814	5,049	239,375	1,368	-	-	12,666,606	-	12,666,606
Professional services	10,992,562	314,827	190,494	625,918	261,228	4,110	12,389,139	(2,796,539)	9,592,600
Events and materials	9,691,922	210,765	9,036	59,818	92,093	-	10,063,634	(481,665)	9,581,969
Grants to international affiliates	243,198	5,491,925	-	143,019	2,698,416	-	8,576,558	-	8,576,558
Food and ministry supplies	14,736,584	632,054	244,053	491,306	-	-	16,103,997	(12,771,602)	3,332,395
Vehicle expense	2,237,912	52,495	58,232	175,681	-	-	2,524,320	-	2,524,320
Cost of sales	1,324,403	46	32,762	-	2,628	4,498	1,364,337	(121,059)	1,243,278
Intercompany donations	8,140,699	13,067,295	41,245	151,759	31,052,080	168,664	52,621,742	(52,621,742)	-
Intercompany charges	(624,197)	(1,284,331)	1,950,656	(28,269)	(13,864)	5	-	-	-
Intercompany collections	(37,813,843)	(250,960)	4,740	1,717	-	-	(38,058,346)	38,058,346	-
<b>Total Expenses</b>	<b>326,451,661</b>	<b>32,551,365</b>	<b>4,998,294</b>	<b>8,810,538</b>	<b>34,136,400</b>	<b>185,275</b>	<b>407,133,533</b>	<b>(43,238,907)</b>	<b>363,894,626</b>
Change in Net Assets Before Foreign Currency Translation	(11,458,589)	5,759,729	(2,257,563)	(59,387)	14,532,051	7,685	6,523,926	(9,382,835)	(2,858,909)
Foreign currency translation adjustment	99,138	(71,591)	(357,805)	11,769	228	-	(318,261)	(48,306)	(366,567)
Change in Net Assets	(11,359,451)	5,688,138	(2,615,368)	(47,618)	14,532,279	7,685	6,205,665	(9,431,141)	(3,225,476)
Net Assets, Beginning of Year	350,136,526	17,530,313	18,568,422	1,292,358	156,092,519	58,208	543,678,346	8,648,630	552,326,976
Net Assets, End of Year	<b>\$338,777,075</b>	<b>\$ 23,218,451</b>	<b>\$ 15,953,054</b>	<b>\$ 1,244,740</b>	<b>\$170,624,798</b>	<b>\$ 65,893</b>	<b>\$549,884,011</b>	<b>\$ (782,511)</b>	<b>\$549,101,500</b>