

# **Young Life and Subsidiaries**

Accountants' Reports and Consolidated Financial Statements

September 30, 2009 and 2008

# Young Life and Subsidiaries

## September 30, 2009 and 2008

### Contents

<b>Independent Accountants' Report</b> .....	<b>1</b>
<b>Consolidated Financial Statements</b>	
Statements of Financial Position .....	2
Statement of Activities – 2009 .....	3
Statement of Activities – 2008 .....	4
Statements of Cash Flows.....	5
Notes to Financial Statements .....	6
<b>Independent Accountants' Report on Supplementary Information</b> .....	<b>23</b>
<b>Supplementary Information</b>	
Consolidating Statement of Financial Position .....	24
Consolidating Statement of Activities .....	25
Young Life Foundation Statements of Financial Position.....	26
Young Life Foundation Statements of Activities .....	27
Consolidated Schedule of Functional Expenses.....	28

## Independent Accountants' Report

Board of Trustees  
Young Life and Subsidiaries  
Colorado Springs, Colorado

We have audited the accompanying consolidated statements of financial position of Young Life and Subsidiaries (the Organization) as of September 30, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Young Life and Subsidiaries as of September 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11, in 2009, Young Life and Subsidiaries changed its method of recognition of classifications of net assets comprising donor-restricted endowment funds in accordance with Financial Accounting Standards Board Staff Position FAS 117-1.

As discussed in Note 12, in 2009, Young Life and Subsidiaries changed its method of accounting for fair value measurements in accordance with Statement of Financial Accounting Standards No. 157.

\s\ **BKD, LLP**

November 12, 2009

**Young Life and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**September 30, 2009 and 2008**

**Assets**

	<b>2009</b>	<b>2008</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 28,665,519	\$ 22,695,786
Investments	42,445,969	48,446,003
Accounts and other receivables	1,134,064	1,726,686
Notes receivable		
Related parties	447,386	275,306
Pledges receivable		
Related parties	20,750,000	438,366
Other	3,171,083	3,293,023
Inventories	1,127,275	1,404,154
Prepaid expenses and other assets	2,135,036	3,135,770
Land, buildings and equipment, at cost, net of accumulated depreciation	195,322,757	198,146,485
Total assets	\$ 295,199,089	\$ 279,561,579

**Liabilities and Net Assets**

<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 17,259,023	\$ 16,101,305
Notes payable	3,100,084	3,216,536
Custodial funds	1,520,375	1,599,184
Trust and annuity obligations	563,605	594,739
Total liabilities	22,443,087	21,511,764
<b>Net Assets</b>		
Unrestricted		
Unrestricted	237,821,534	248,063,297
Cumulative foreign currency translation adjustment	2,215,919	2,346,118
Total unrestricted	240,037,453	250,409,415
Temporarily restricted	31,052,722	5,585,601
Permanently restricted	1,665,827	2,054,799
Total net assets	272,756,002	258,049,815
Total liabilities and net assets	\$ 295,199,089	\$ 279,561,579

**Young Life and Subsidiaries**  
**Consolidated Statement of Activities**  
**Year Ended September 30, 2009**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, Gains and Other Support</b>				
Contributions				
Operating	\$ 136,237,705	\$ 9,305,707	\$ -	\$ 145,543,412
Capital	-	34,686,064	-	34,686,064
Program service revenue	48,722,318	-	-	48,722,318
Investment income (loss)	208,416	(131,542)	-	76,874
Change in value of split-interest agreements	102,170	152,459	-	254,629
Sales	4,782,204	-	-	4,782,204
Other income	2,644,401	-	-	2,644,401
Reclassifications	(3,593)	370,749	(367,156)	-
Net assets released from restrictions	18,938,132	(18,916,316)	(21,816)	-
	<u>211,631,753</u>	<u>25,467,121</u>	<u>(388,972)</u>	<u>236,709,902</u>
Total revenues, gains and other support				
<b>Expenses</b>				
Club ministries	136,091,438	-	-	136,091,438
Camping operations	52,176,282	-	-	52,176,282
Young Life Foundation	374,726	-	-	374,726
	<u>188,642,446</u>	<u>-</u>	<u>-</u>	<u>188,642,446</u>
Total program expenses				
Management and general	22,308,184	-	-	22,308,184
Fundraising	10,922,886	-	-	10,922,886
	<u>221,873,516</u>	<u>-</u>	<u>-</u>	<u>221,873,516</u>
Total expenses				
<b>Change in Net Assets</b>	(10,241,763)	25,467,121	(388,972)	14,836,386
<b>Foreign Currency</b>				
Translation Adjustment	(130,199)	-	-	(130,199)
<b>Net Assets, Beginning of Year</b>	<u>250,409,415</u>	<u>5,585,601</u>	<u>2,054,799</u>	<u>258,049,815</u>
<b>Net Assets, End of Year</b>	<u>\$ 240,037,453</u>	<u>\$ 31,052,722</u>	<u>\$ 1,665,827</u>	<u>\$ 272,756,002</u>

**Young Life and Subsidiaries**  
**Consolidated Statement of Activities**  
**Year Ended September 30, 2008**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Revenues, Gains and Other Support</b>				
Contributions				
Operating	\$ 146,708,124	\$ 9,668,693	\$ -	\$ 156,376,817
Capital	-	6,036,778	-	6,036,778
Program service revenue	50,399,748	-	-	50,399,748
Investment loss	(3,714,561)	(750,491)	(72,159)	(4,537,211)
Change in value of split-interest agreements	(64,875)	291,218	-	226,343
Sales	5,141,822	-	-	5,141,822
Other income	2,657,738	-	-	2,657,738
Net assets released from restrictions	21,792,961	(21,771,276)	(21,685)	-
	<u>222,920,957</u>	<u>(6,525,078)</u>	<u>(93,844)</u>	<u>216,302,035</u>
Total revenues, gains and other support				
<b>Expenses</b>				
Club ministries	137,385,219	-	-	137,385,219
Camping operations	52,624,914	-	-	52,624,914
Young Life Foundation	780,687	-	-	780,687
	<u>190,790,820</u>	<u>-</u>	<u>-</u>	<u>190,790,820</u>
Total program expenses				
Management and general	22,207,364	-	-	22,207,364
Fundraising	10,989,016	-	-	10,989,016
	<u>223,987,200</u>	<u>-</u>	<u>-</u>	<u>223,987,200</u>
Total expenses				
<b>Change in Net Assets</b>	(1,066,243)	(6,525,078)	(93,844)	(7,685,165)
<b>Foreign Currency</b>				
<b>Translation Adjustment</b>	(749,766)	-	-	(749,766)
<b>Net Assets, Beginning of Year</b>	<u>252,225,424</u>	<u>12,110,679</u>	<u>2,148,643</u>	<u>266,484,746</u>
<b>Net Assets, End of Year</b>	<u>\$ 250,409,415</u>	<u>\$ 5,585,601</u>	<u>\$ 2,054,799</u>	<u>\$ 258,049,815</u>

**Young Life and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years Ended September 30, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
<b>Operating Activities</b>		
Change in net assets	\$ 14,836,386	\$ (7,685,165)
Items not requiring (providing) cash		
Depreciation	13,150,231	13,069,838
Bad debt expense	87,684	292,270
Distribution of Dale House (net of cash)	1,556,234	-
Net loss from disposal of fixed assets	590,510	785,198
Net unrealized and realized loss on investments	1,418,249	6,892,473
Equity in gains of captive insurance company	(281,492)	(798,445)
Change in value of split-interest agreements	(254,629)	(226,343)
In-kind contributions – capitalized	-	(1,035,461)
Contributions received restricted for acquisition of long-lived assets	(14,170,176)	(4,653,440)
Changes in		
Accounts and other receivables	559,321	2,379,029
Pledges receivable	(20,244,077)	(624,580)
Inventories	276,879	(50,739)
Prepaid expenses and other assets	1,000,734	185,736
Accounts payable and accrued liabilities	654,899	1,837,198
Custodial funds, trust and annuity obligations	13,309	(236,943)
	<u>(805,938)</u>	<u>10,130,626</u>
<b>Investing Activities</b>		
Purchase of investments	(7,152,933)	(21,376,038)
Proceeds from sales of investments	12,147,587	32,833,444
Purchases of fixed assets	(12,337,909)	(20,266,523)
Proceeds from sales of fixed assets	115,891	2,749,818
Issuance of note receivable	(150,000)	(33,068)
Payments received on notes receivable	720	4,662
	<u>(7,376,644)</u>	<u>(6,087,705)</u>
<b>Financing Activities</b>		
Principal payments on notes payable	(116,452)	(94,742)
Proceeds from contributions for construction	14,170,176	4,653,440
	<u>14,053,724</u>	<u>4,558,698</u>
<b>Effect of Foreign Currency Exchange Rate Changes on Cash</b>	<u>98,591</u>	<u>(57,505)</u>
<b>Increase in Cash and Cash Equivalents</b>	5,969,733	8,544,114
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>22,695,786</u>	<u>14,151,672</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 28,665,519</u>	<u>\$ 22,695,786</u>
<b>Supplemental Cash Flow Information</b>		
Interest paid	\$ 199,931	\$ 178,906
Unrelated business income taxes paid	-	525,627

# Young Life and Subsidiaries

## Notes to Financial Statements

September 30, 2009 and 2008

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### ***Nature of Operations***

Young Life is a not-for-profit charitable corporation operating primarily in the United States with four major operating divisions: U.S. Ministry Operations (U.S. Field Ministries), International Ministry Operations (International Field Ministries), Camping Operations (Camping) and Headquarters Operations (Mission Leadership and Support Services).

Young Life is an interdenominational Christian organization that provides witness to adolescents. Young Life also operates 21 camping facilities. Three more camping facilities are under development. Young Life Foundation (Foundation), a not-for-profit charitable corporation, was founded to promote the support of Young Life and to manage investments, and is controlled through common management.

#### ***Principles of Consolidation***

The accompanying consolidated financial statements for the years ended September 30, 2009 and 2008, include the assets, liabilities, net assets and financial activities of Young Life, inclusive of Young Life Foundation, Malibu Yacht Charters, Ltd., YL Malibu Club Ministry Affiliates, 3E Ministry Resources, Inc. (3E), The Dale House Project (Dale House), Young Life Costa Rica Y.L.C.R. Anonymous Society and Young Life, a Dominican Republic Foreign Association, (collectively, the Organization). All significant intercompany transactions and balances have been eliminated.

During 2009, Young Life's Board of Trustees approved the legal separation of Dale House with an effective date of June 30, 2009 (see Note 19).

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### ***Investments and Investment Return***

Foundation investments are stated at fair value. Young Life investments, excluding its investment in a captive insurance company, are stated at fair value. The investment in a captive insurance company is accounted for based on the specifically identified premiums paid and losses incurred by Young Life. Fair values are determined by quoted market prices for securities and appraised market values for real property held for investment.

# Young Life and Subsidiaries

## Notes to Financial Statements

September 30, 2009 and 2008

The fair value of other investments has been estimated using the net asset value per share of the investments. Estimated fair values for these investments are provided by fund trustees and general partners. The estimated fair value of certain limited partnership investments is based on valuations provided by external parties and adjusted for levels of value, control and marketability discounts. Young Life considers the carrying values of these investments to be a reasonable estimate of fair value. Because these investments are not readily marketable and may be subject to withdrawal restrictions, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market of such investments existed. Such differences could be material.

Investment returns 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. Other investment returns are reflected in the statements of activities as unrestricted, temporarily restricted, or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

The Organization 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.

### ***Cash and Cash Equivalents***

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2009 and 2008, cash equivalents consisted primarily of money market funds and certificates of deposit.

The financial institutions holding the Organization's cash accounts are participating in the FDIC's Transaction Account Guarantee Program. Under that program, through June 30, 2010, all non-interest bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account.

Effective October 3, 2008, the FDIC's insurance limits increased to \$250,000. The increase in federally insured limits is currently set to expire December 31, 2013. At September 30, 2009, the Organization's interest-bearing cash accounts exceeded federally insured limits by approximately \$20,337,000. Management believes these institutions are financially stable and that the credit risk related to deposits is minimal.

### ***Accounts Receivable***

Accounts receivable are stated at the amount billed to customers/guests. Accounts receivable are ordinarily due upon receipt. Accounts past due more than 120 days are considered delinquent. Delinquent receivables are written-off based on individual credit evaluation and specific circumstances of the customer/guest.

# Young Life and Subsidiaries

## Notes to Financial Statements

September 30, 2009 and 2008

### ***Inventories***

Inventories consist primarily of food stores and goods held for resale and are stated at the lower of cost or market, using the first-in, first-out method.

### ***Land, Buildings and Equipment***

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 property. Assets under construction are reported in construction in progress until placed in service.

### ***Custodial Funds***

Custodial funds have been recorded as the amount of certain assets held by the Organization which it does not irrevocably own. Custodial funds consist primarily of trusts for which the Foundation is the trustee, but the remainder beneficiaries can be changed by the donors at any time prior to the donor's death.

### ***Trust and Annuity Obligations***

Under irrevocable trust agreements, the Foundation receives contributed assets and agrees to make payments to the donor(s). The payments are based on a fixed rate of return or on related investment income, as stipulated in the trust agreement. Amounts received under irrevocable trust agreements, net of the present value of future payments to beneficiaries, are recorded as temporarily restricted revenue upon receipt. A liability for trust obligations is recorded for the estimated present value of future payments to beneficiaries. Upon the death of the donor(s), the assets are transferred from temporarily restricted net assets as designated by the Board of Trustees or trust agreement.

Annuities payable represent the present value of the remaining payments due to annuitants under annuity contracts, based upon the remaining life expectancies of the respective annuitants.

### ***Temporarily and Permanently Restricted Net Assets***

Temporarily restricted net assets are those by which the Organization'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 the Organization in perpetuity.

# Young Life and Subsidiaries

## Notes to Financial Statements

September 30, 2009 and 2008

### **Contributions**

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. 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 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.

Gifts of land, buildings, 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 explicit 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 of estimated future cash flows. The resulting discount is amortized and is reported against contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

### **Special Fundraising Events**

Young Life – U.S. and International Field Ministries hold special fundraising events, such as banquets and golf events, in which the donor receives a direct benefit (such as a meal). The cost of such direct benefits is included as promotional events and materials expense principally in fundraising expenses. For the years ended September 30, 2009 and 2008, direct benefits costs were \$5,721,405 and \$6,235,557, respectively.

### **Income Taxes**

Young Life, the Foundation and the Dale House are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization is not considered to be a private foundation. YL Malibu Club Ministry Affiliates is exempt from Canadian income tax. Young Life, a Dominican Republic Foreign Association, is exempt from Dominican Republic income tax. 3E is subject to United States income taxes, Malibu Yacht Charters, Ltd. is subject to Canadian income taxes and Young Life Costa Rica Y.L.C.R. Anonymous Society is subject to Costa Rican income taxes. However, the Organization is subject to federal income tax on any unrelated business taxable income.

# Young Life and Subsidiaries

## Notes to Financial Statements

September 30, 2009 and 2008

### Uncertain Tax Positions

In accordance with Financial Accounting Standards Board (FASB) Staff Position No. FIN 48-3, the Organization has elected to defer the effective date of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, until its fiscal year ended September 30, 2010. The Organization has continued to account for any uncertain tax positions in accordance with literature that was authoritative immediately prior to the effective date of FIN 48, such as FASB Statement No. 109, *Accounting for Income Taxes*, and FASB Statement No. 5, *Accounting for Contingencies*, if any.

### Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, management and general and fundraising categories.

### Subsequent Events

Subsequent events have been evaluated through November 12, 2009, which is the date the financial statements were issued.

### Reclassification

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 financial statement presentation. These reclassifications had no effect on the change in net assets.

## Note 2: Investments and Investment Return

Investments consist of the following:

	Young Life		Foundation	
	2009	2008	2009	2008
Cash and cash equivalents	\$ -	\$ -	\$ 5,649,549	\$ 6,212,550
Certificates of deposit	25,866	-	-	-
Equity securities	237,682	246,698	15,078,414	19,040,156
Debt securities	3,770,603	4,438,000	4,503,256	5,687,855
Land and land interests	-	6,005	1,315,029	1,181,531
Investment in captive insurance company	5,141,742	4,860,250	-	-
Investment in limited partnerships	-	593,247	3,765,868	3,255,000
Other	10,002	833,262	2,947,958	2,091,449
Total	<u>\$ 9,185,895</u>	<u>\$ 10,977,462</u>	<u>\$ 33,260,074</u>	<u>\$ 37,468,541</u>

# Young Life and Subsidiaries

## Notes to Financial Statements

September 30, 2009 and 2008

Total investment return is comprised of the following:

	Young Life		Foundation	
	2009	2008	2009	2008
Interest and dividend income	\$ 359,740	\$ 1,278,967	\$ 853,891	\$ 277,850
Equity gains of captive insurance company	281,492	798,445	-	-
Net realized and unrealized gain (loss) on investments reported at fair value	135,984	(913,222)	(1,554,233)	(5,979,251)
Total	\$ 777,216	\$ 1,164,190	\$ (700,342)	\$ (5,701,401)

### Note 3: Pledges Receivable

Pledges receivable consist of the following:

	2009	2008
Construction at various camps	\$ 23,794,672	\$ 3,950,300
General operating fund	380,000	-
Urban operating	-	100,000
	24,174,672	4,050,300
Allowance for uncollectible pledges	(143,853)	(148,638)
Present value discount	(109,736)	(170,273)
Present value of estimated future cash flows from pledges	\$ 23,921,083	\$ 3,731,389

Included in pledges receivable are pledges from members of the Organization's Board of Trustees and employees of \$20,750,000 and \$438,366 as of September 30, 2009 and 2008, respectively.

Pledges receivable as of September 30, 2009 and 2008, are expected to be received in the following time periods from the statement of financial position date, according to indications by the donor or management's estimate if no indications were made by the donor:

	2009	2008
Less than one year	\$ 17,174,819	\$ 2,053,321
One to five years	6,746,264	1,678,068
	\$ 23,921,083	\$ 3,731,389

# Young Life and Subsidiaries

## Notes to Financial Statements

September 30, 2009 and 2008

### Note 4: Land, Buildings and Equipment

Land, buildings and equipment consist of the following:

	<b>2009</b>	<b>2008</b>
Land	\$ 23,210,576	\$ 23,358,208
Buildings	225,864,506	203,455,493
Furniture and equipment	34,890,787	33,847,924
Marine equipment	2,069,695	2,024,470
Vehicles and other	5,690,814	5,740,003
Construction in progress	14,193,687	28,906,418
	<u>305,920,065</u>	<u>297,332,516</u>
Less accumulated depreciation	<u>(110,597,308)</u>	<u>(99,186,031)</u>
	<u>\$ 195,322,757</u>	<u>\$ 198,146,485</u>

Land and buildings includes \$2,205,561 of donated real estate, which is not used in operations. The donor has requested that the Organization hold the property for possible future use as a camp.

### Note 5: Line of Credit

The Organization had a \$12,000,000 revolving bank line of credit which expired March 31, 2009, and was not renewed as of September 30, 2009.

### Note 6: Medical Claims Reserve

The Organization has adopted a plan of self-insuring employee group medical insurance. Expenses are recorded as incurred. Insurance policies in force at September 30, 2009, limit the Organization's annual liability to \$250,000 per individual. The Organization records an accrual that represents their best estimate of claims and fees that were incurred but unpaid as of the end of the year, and was \$3,693,864 and \$3,098,235 at September 30, 2009 and 2008, respectively.

# Young Life and Subsidiaries

## Notes to Financial Statements

September 30, 2009 and 2008

### Note 7: Notes Payable

Notes payable consists of the following:

	<b>2009</b>	<b>2008</b>
Note payable with an individual, 7.50% interest, full amount due on March 1, 2010, unsecured	\$ 8,394	\$ 15,166
Note payable with an individual, 4.50% interest, quarterly payments of principal and interest are \$8,750, the note matures on September 30, 2028	441,680	464,324
Note payable with a bank, interest at 6.36%, monthly payments of principal and interest are \$22,121, the note matures on May 1, 2025, secured by land and property	2,650,010	2,737,046
	\$ 3,100,084	\$ 3,216,536

Aggregate future principal payment requirements at September 30, 2009 are as follows:

	<b>Long-term Debt</b>
2010	\$ 121,213
2011	119,991
2012	127,191
2013	135,730
2014	144,383
Thereafter	2,451,576
	\$ 3,100,084

Interest expense on the notes for the years ended September 30, 2009 and 2008 was \$199,931 and \$178,906, respectively.

# Young Life and Subsidiaries

## Notes to Financial Statements

September 30, 2009 and 2008

### Note 8: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	<b>2009</b>	<b>2008</b>
Club ministries		
Operations	\$ 368,604	\$ 497,099
Capital	840,379	838,206
Camping		
Operations (Camperships)	1,192,706	877,997
Capital	28,271,305	2,985,650
Trust and endowment agreements	300,315	303,649
Training	79,413	83,000
	\$ 31,052,722	\$ 5,585,601

### Note 9: Permanently Restricted Net Assets

Permanently restricted net assets are restricted in investment in perpetuity, the income from which is expendable to support the following:

	<b>2009</b>	<b>2008</b>
Club ministries	\$ 1,665,827	\$ 1,662,233
Camping	-	392,566
	\$ 1,665,827	\$ 2,054,799

### Note 10: Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<b>2009</b>	<b>2008</b>
Satisfaction of property and equipment acquisition restrictions	\$ 8,766,214	\$ 10,833,096
Satisfaction of time restrictions	117,967	173,571
Satisfaction of program restrictions	10,053,951	10,786,294
	\$ 18,938,132	\$ 21,792,961

For 2009 and 2008 of the above releases, \$21,816 and \$21,685, respectively, pertains to a release of permanently restricted funds based on different donors' wishes in each year.

# Young Life and Subsidiaries

## Notes to Financial Statements

September 30, 2009 and 2008

### Note 11: Endowment

In the year ended September 30, 2009, the Organization adopted the recognition and disclosure provisions of Financial Accounting Standards Board Staff Position FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FSP FAS 117-1). This new standard changes the method of classification of net assets comprising donor-restricted endowment funds when the Organization is subject to an enacted and effective version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Initial application of FSP FAS 117-1 by reclassification of previously reported net assets at September 30, 2008, resulted in a decrease in permanently restricted, increase in temporarily restricted and decrease in unrestricted net assets of \$367,156, \$370,749 and \$3,593, respectively, and had no impact on previously reported total net assets.

The Organization's endowment consists of 4 individual funds (the Funds) established for a variety of purposes which are donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the *State of Colorado Prudent Management of Institutional Funds Act* (SPMIFA or the Act) to allow an institution to appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of a donor expressed in the applicable gift instrument. 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 fair value of the original gift as of the gift date. However, in accordance with FSP FAS 117-1, the Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The remaining portion of donor-restricted endowment funds 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 accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

# Young Life and Subsidiaries

## Notes to Financial Statements

September 30, 2009 and 2008

The composition of net assets by type of endowment fund at September 30, 2009 was:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ 82,228	\$ 726,372	\$ 1,665,827	\$ 2,474,427

Changes in endowment net assets for the year ended September 30, 2009 were:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 211,075	\$ 497,099	\$ 2,054,799	\$ 2,762,973
Investment return				
Investment income	23,119	8,429	-	31,548
Net depreciation	(73,775)	(77,939)	-	(151,714)
Total investment return	(50,656)	(69,510)	-	(120,166)
Appropriation of endowment assets for expenditure	(74,598)	(71,966)	(21,816)	(168,380)
Other changes - reclassification upon adoption of SPMIFA	(3,593)	370,749	(367,156)	-
Endowment net assets, end of year	\$ 82,228	\$ 726,372	\$ 1,665,827	\$ 2,474,427

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Organization is otherwise expected to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. Under management's interpretation of SPMIFA, the Act allows management to appropriate for expenditure from individual donor-restricted endowments that are in an underwater situation to the extent it is prudent as defined by SPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and aggregated \$5,636 at September 30, 2009. These deficiencies resulted from unfavorable market fluctuations.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

# Young Life and Subsidiaries

## Notes to Financial Statements

September 30, 2009 and 2008

The Organization has a policy (the Spending Policy) of appropriating expenditures each year. To the extent prudent, it is expected that spending from the Funds would be managed with a long-term perspective to maintain the long-term purchasing power of the Funds to meet the longer term needs of the ministry; but that such long-term perspective would not prevent the Funds from continuing to spend a prudent amount from the Funds despite a Fund's balance falling below targeted levels. This is consistent with the Organization'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.

### Note 12: Disclosures About Fair Value of Assets and Liabilities

Effective October 1, 2008, the Organization adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 has been applied prospectively as of the beginning of the year.

FAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

#### ***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include equity and fixed income debt securities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include investment in captive insurance company, equity funds, land and land interests, corporate bonds, and investments in limited partnerships. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include the Organization's investment in mortgage notes receivable.

# Young Life and Subsidiaries

## Notes to Financial Statements

September 30, 2009 and 2008

### **Custodial Funds**

Fair value is estimated using inputs that are consistent with those used for investments as these liabilities are directly related to their respective investment assets. Custodial funds are invested in the same manner as the Organization's investments. Due to the nature of the valuation inputs, custodial funds are classified within Level 1 of the hierarchy.

### **Trust Obligations**

Fair value is estimated at the present value of the future payments expected to be paid. Due to the nature of the valuation inputs, the obligation is classified within Level 2 of the hierarchy.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the FAS 157 fair value hierarchy in which the fair value measurements are categorized at September 30, 2009:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments (excluding cash and cash equivalents of \$5,649,549)	\$ 36,796,420	\$ 21,298,589	\$ 14,895,120	\$ 602,711
Custodial funds	(1,520,375)	(1,520,375)	-	-
Trust obligations	(246,622)	-	(246,622)	-

# Young Life and Subsidiaries

## Notes to Financial Statements

September 30, 2009 and 2008

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	<u>Investments</u>
Balance, October 1, 2008	\$ 797,172
Total realized and unrealized losses and interest earned included in change in net assets	16,297
Purchases, issuances and settlements	<u>(210,758)</u>
Balance, September 30, 2009	<u>\$ 602,711</u>
Total gains for the period included in change in net assets attributable to the change in unrealized gains or losses related to assets still held at the reporting date	<u>\$ 16,297</u>

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying statements of financial position other than fair value.

### ***Cash and Cash Equivalents***

The carrying amount approximates fair value because of the short maturities of the instruments.

### ***Notes Receivable and Notes Payable***

The carrying value of these instruments approximates fair value.

### ***Annuities Payable***

These instruments are discounted to their present value which approximates fair value.

### **Note 13: In-kind Contributions**

The Organization received in-kind contributions valued at \$214,385 and \$1,035,461 during the years ended September 30, 2009 and 2008, respectively. Included in the 2008 contributions is \$717,201 related to an asset valued at \$1,181,524. The Organization purchased the land in exchange for a note payable with an original balance of \$464,323, of which \$441,680 is outstanding as of September 30, 2009 (Note 7). The in-kind contributions are included in contributions in the accompanying consolidated statements of activities.

# Young Life and Subsidiaries

## Notes to Financial Statements

September 30, 2009 and 2008

### Note 14: Employee Benefit Plans

The Organization has a noncontributory defined contribution pension plan covering substantially all salaried and certain hourly employees. The amount of contributions to the plan by the Organization is based on a percentage (currently 7%) of eligible compensation. For employees with start dates prior to January 1, 2007, contributions to the plan are credited to the individual accounts of participants and are immediately vested. Beginning January 1, 2007, all 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, 2009 and 2008 are \$5,265,235 and \$4,977,262, respectively. The Organization's policy is to fund pension costs accrued.

The Organization has a 401(k) plan to benefit all eligible employees. Employees are immediately eligible to participate in the plan on the date they begin employment with the Organization. Participants may contribute a percentage of their eligible compensation, not to exceed IRS defined limits. The Organization matches employee contributions up to 4% of eligible compensation. The Organization's contributions to the plan for the years ended September 30, 2009 and 2008 were \$2,011,442 and \$1,908,423, respectively.

### Note 15: Investment in Captive Insurance Company

Young Life and eight other nonprofit 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). Young Life accounts for its investment based on the specifically identified premiums paid and losses incurred by the Organization.

The captive insures claims relating to workers' compensation, property, general liability and auto liability. SIL pays the first \$250,000 of any claim, SRL pays the second \$750,000 and the next \$1,000,000 is reinsured with a primary insurance carrier. 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 \$5,141,742 and \$4,860,250, representing Young Life's investment in SIL as of September 30, 2009 and 2008, respectively. Young Life has paid approximately \$3,136,240 and \$4,301,803 in premiums to the captive during the years ended September 30, 2009 and 2008, respectively.

### Note 16: Conditional Gifts

The Organization has received conditional promises to give that have not been recognized in the financial statements. Conditional promises total \$500,000 and \$700,000 at September 30, 2009 and 2008, respectively, for camp projects and are conditional on the Organization receiving matching funds for the projects and/or the balance of the funds to complete the project.

# Young Life and Subsidiaries

## Notes to Financial Statements

September 30, 2009 and 2008

### Note 17: Operating Leases

Noncancellable operating leases for the Organization expire in various years through 2013. These leases cover office space, office equipment and vehicles.

Future minimum lease payments at September 30, 2009 were:

2010	\$ 991,642
2011	623,800
2012	183,206
2013	65,413
2014	<u>8,263</u>
Future minimum lease payments	<u>\$ 1,872,324</u>

Rent expense from operating leases for the years ended September 30, 2009 and 2008 was \$1,429,026 and \$1,060,464, respectively.

### Note 18: Insurance Loss

During 2002, Young Life incurred a loss of \$5,391,157 arising from the insolvency of one of its general liability insurance carriers that rendered the carrier incapable of paying certain claims.

The Organization is obligated to make payments arising from the insolvency, under a settlement agreement entered into on September 13, 2002. The estimated present value of these future payments is \$4,327,221 and \$4,328,488 as of September 30, 2009 and 2008, respectively, and is included in accrued liabilities on the accompanying consolidated statements of financial position.

### Note 19: Distribution of Dale House

During 2009, the Board of Trustees approved the legal separation of Dale House with an effective date of June 30, 2009. Dale House has been operating under the direction of its own Board of Directors for many years. This change recognizes the reality that Dale House and Young Life are sister missions rather than parent and subsidiary. The legal change is that the Dale House Board of Directors will be self-elected rather than appointed by the Young Life Board of Trustees. The distribution resulted in a decrease in change in net assets of \$1,930,432 for the year ended September 30, 2009.

# Young Life and Subsidiaries

## Notes to Financial Statements

September 30, 2009 and 2008

### **Note 20: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

#### ***Contributions***

Approximately 16% of all contributions were received from one donor in 2009.

#### ***Litigation***

The Organization is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that 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 the Organization. Events could occur that would change this estimate materially in the near term.

#### ***Commitments***

As of September 30, 2009, the Organization had approximately \$16,726,788 of commitments relating to construction contracts on several of its camping properties.

#### ***Valuation of Other Investments***

The Organization's other investments includes investments in limited partnerships and mortgage notes receivable, which was converted from commercial paper in 2008. These investments are recorded at their estimated fair market value as determined by the partnerships and trustees. Actual fair value of the investments upon liquidation could vary significantly from the current estimated fair value.

## **Supplementary Information**

## Independent Accountants' Report on Supplementary Information

Board of Trustees  
Young Life and Subsidiaries  
Colorado Springs, Colorado

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary information, including the consolidating information, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, change in net assets, and cash flows of the individual entities. Such information has been subjected to the procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

\s\ **BKD, LLP**

November 12, 2009

**Young Life and Subsidiaries**  
**Consolidating Statement of Financial Position**  
**September 30, 2009**

	Young Life	Young Life Foundation	Malibu Yacht Charters, Ltd.	Dale House	3E Ministry Resources, Inc.	International Entities	Total	Eliminating Entries	Total
<b>Assets</b>									
Cash and cash equivalents	\$ 28,301,661	\$ 203,358	\$ 41,857	\$ -	\$ 16,804	\$ 101,839	\$ 28,665,519	\$ -	\$ 28,665,519
Investments	9,789,835	33,260,074	28	-	-	24	43,049,961	(603,992)	42,445,969
Accounts and other receivables	1,106,985	-	1,145	-	7,927	18,007	1,134,064	-	1,134,064
Notes receivable	269,395	209,588	-	-	-	-	478,983	(31,597)	447,386
Pledges receivable	-	23,921,083	-	-	-	-	23,921,083	-	23,921,083
Inventories	1,112,507	-	-	-	14,768	-	1,127,275	-	1,127,275
Prepaid expenses and other assets	2,134,936	-	-	-	-	100	2,135,036	-	2,135,036
Land, buildings and equipment	194,079,284	-	223,849	-	-	1,019,624	195,322,757	-	195,322,757
Intercompany receivables	(323,693)	405,734	64,096	-	(174,859)	28,722	-	-	-
Total assets	<u>\$ 236,470,910</u>	<u>\$ 57,999,837</u>	<u>\$ 330,975</u>	<u>\$ -</u>	<u>\$ (135,360)</u>	<u>\$ 1,168,316</u>	<u>\$ 295,834,678</u>	<u>\$ (635,589)</u>	<u>\$ 295,199,089</u>
<b>Liabilities and Net Assets</b>									
<b>Liabilities</b>									
Accounts payable and accrued liabilities	\$ 18,951,270	\$ -	\$ 18,226	\$ -	\$ -	\$ 1,690	\$ 18,971,186	\$ (1,712,163)	\$ 17,259,023
Notes payable	2,658,404	441,680	-	-	-	-	3,100,084	-	3,100,084
Custodial funds	76,925	1,443,450	-	-	-	-	1,520,375	-	1,520,375
Trust and annuity obligations	50,414	544,788	-	-	-	-	595,202	(31,597)	563,605
Total liabilities	<u>21,737,013</u>	<u>2,429,918</u>	<u>18,226</u>	<u>-</u>	<u>-</u>	<u>1,690</u>	<u>24,186,847</u>	<u>(1,743,760)</u>	<u>22,443,087</u>
<b>Net Assets</b>									
Unrestricted net assets	206,340,767	29,069,395	356,819	-	(135,360)	1,081,742	236,713,363	1,108,171	237,821,534
Cumulative foreign currency translation adjustment	2,254,600	-	(44,070)	-	-	5,389	2,215,919	-	2,215,919
Temporarily restricted	6,138,530	24,834,697	-	-	-	79,495	31,052,722	-	31,052,722
Permanently restricted	-	1,665,827	-	-	-	-	1,665,827	-	1,665,827
Total net assets	<u>214,733,897</u>	<u>55,569,919</u>	<u>312,749</u>	<u>-</u>	<u>(135,360)</u>	<u>1,166,626</u>	<u>271,647,831</u>	<u>1,108,171</u>	<u>272,756,002</u>
Total liabilities and net assets	<u>\$ 236,470,910</u>	<u>\$ 57,999,837</u>	<u>\$ 330,975</u>	<u>\$ -</u>	<u>\$ (135,360)</u>	<u>\$ 1,168,316</u>	<u>\$ 295,834,678</u>	<u>\$ (635,589)</u>	<u>\$ 295,199,089</u>

**Young Life and Subsidiaries**  
**Consolidating Statement of Activities**  
**Year Ended September 30, 2009**

	Young Life	Young Life Foundation	Malibu Yacht Charters, Ltd.	Dale House	3E Ministry Resources, Inc.	International Entities	Total	Eliminating Entries	Total
<b>Revenue</b>									
Operating contributions	\$ 140,379,913	\$ 4,958,136	\$ -	\$ 199,921	\$ -	\$ 58,618	\$ 145,596,588	\$ (53,176)	\$ 145,543,412
Capital contributions	3,108,960	31,213,158	-	-	-	363,946	34,686,064	-	34,686,064
Intercompany donations	21,301,854	2,852,733	-	-	-	115,748	24,270,335	(24,270,335)	-
Program service revenue	47,624,669	2,059	393,211	589,774	-	112,605	48,722,318	-	48,722,318
Investment income (loss)	722,469	(700,342)	40	-	54,707	-	76,874	-	76,874
Change in value of split-interest agreements	-	254,629	-	-	-	-	254,629	-	254,629
Sales	4,770,214	-	8,746	-	104	3,140	4,782,204	-	4,782,204
Other income	2,423,939	141,948	4,503	21,864	75	169,905	2,762,234	(117,833)	2,644,401
<b>Total revenue</b>	<b>220,332,018</b>	<b>38,722,321</b>	<b>406,500</b>	<b>811,559</b>	<b>54,886</b>	<b>823,962</b>	<b>261,151,246</b>	<b>(24,441,344)</b>	<b>236,709,902</b>
<b>Expenses</b>									
Salaries and employee benefits	132,643,783	-	143,611	606,549	193	137,044	133,531,180	(2,695,089)	130,836,091
Club and camping activities	33,711,924	-	14,213	66,896	562	32,380	33,825,975	(6,411,349)	27,414,626
Office and property expense	16,565,769	1,198	88,807	59,129	8,554	26,856	16,750,313	-	16,750,313
Depreciation	13,062,663	-	29,701	54,978	-	2,889	13,150,231	-	13,150,231
Travel, moving and conference	7,056,851	-	10,026	295	99	11,013	7,078,284	(1,712,163)	5,366,121
Events and materials	8,618,980	-	177	1,431	-	115	8,620,703	-	8,620,703
Stores, food and supplies	6,948,196	-	6,112	-	-	39,223	6,993,531	-	6,993,531
Professional services	4,318,613	107,580	45,391	4,919	6,324	14,591	4,497,418	(1,099,548)	3,397,870
Cost of sales	2,592,132	-	5,593	-	83,366	1,512	2,682,603	-	2,682,603
Vehicle expense	2,362,952	-	59,939	13,761	-	2,741	2,439,393	-	2,439,393
Miscellaneous	1,686,352	20,292	(7,792)	-	135	12,457	1,711,444	-	1,711,444
Distributions to similar organizations	1,853,313	127,690	-	1,903,868	-	-	3,884,871	(222)	3,884,649
Trust payments	-	117,967	-	-	-	-	117,967	-	117,967
Intercompany donations	2,971,033	21,302,002	-	-	14,547	35,709	24,323,291	(24,323,291)	-
Intercompany charges	79,116	(1,677)	22,921	30,165	(25)	(130,500)	-	-	-
Intercompany collections	(11,580,179)	-	-	-	-	-	(11,580,179)	10,088,153	(1,492,026)
<b>Total expenses</b>	<b>222,891,498</b>	<b>21,675,052</b>	<b>418,699</b>	<b>2,741,991</b>	<b>113,755</b>	<b>186,030</b>	<b>248,027,025</b>	<b>(26,153,509)</b>	<b>221,873,516</b>
<b>Change in Net Assets</b>	<b>(2,559,480)</b>	<b>17,047,269</b>	<b>(12,199)</b>	<b>(1,930,432)</b>	<b>(58,869)</b>	<b>637,932</b>	<b>13,124,221</b>	<b>1,712,165</b>	<b>14,836,386</b>
<b>Foreign Currency Translation Adjustment</b>									
	(107,826)	-	(21,846)	-	-	(527)	(130,199)	-	(130,199)
<b>Net Assets, Beginning of Year</b>	<b>217,401,203</b>	<b>38,522,650</b>	<b>346,794</b>	<b>1,930,432</b>	<b>(76,491)</b>	<b>529,221</b>	<b>258,653,809</b>	<b>(603,994)</b>	<b>258,049,815</b>
<b>Net Assets, End of Year</b>	<b>\$ 214,733,897</b>	<b>\$ 55,569,919</b>	<b>\$ 312,749</b>	<b>\$ -</b>	<b>\$ (135,360)</b>	<b>\$ 1,166,626</b>	<b>\$ 271,647,831</b>	<b>\$ 1,108,171</b>	<b>\$ 272,756,002</b>

**Young Life and Subsidiaries**  
**Young Life Foundation Statements of Financial Position**  
**September 30, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
<b>Assets</b>		
Cash	\$ 203,358	\$ -
Investments	33,260,074	37,468,541
Notes receivable	209,588	188,834
Pledges receivable		
Related parties	20,750,000	438,366
Other	3,171,083	3,293,023
Due from (to) Young Life	405,734	(248,088)
Total assets	\$ 57,999,837	\$ 41,140,676
 <b>Liabilities and Net Assets</b>		
Notes payable	\$ 441,680	\$ 464,323
Custodial funds	1,443,450	1,585,148
Trust and annuity obligations	544,788	568,555
Total liabilities	2,429,918	2,618,026
 Net assets		
Unrestricted	29,069,395	31,411,700
Temporarily restricted	24,834,697	5,056,151
Permanently restricted	1,665,827	2,054,799
Total net assets	55,569,919	38,522,650
Total liabilities and net assets	\$ 57,999,837	\$ 41,140,676

**Young Life and Subsidiaries**  
**Young Life Foundation Statements of Activities**  
**Years Ended September 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>Revenues, Gains and Other Support</b>		
Contributions		
Pledges	\$ 31,267,541	\$ 1,934,354
Operating	4,958,136	8,093,098
Young Life	2,852,733	2,756,149
Investment income	(700,342)	(5,701,401)
Loss on pledges receivable	(54,383)	(292,270)
Change in value of split-interest agreements	254,629	226,343
Other income	144,007	(2,677)
	<u>38,722,321</u>	<u>7,013,596</u>
<b>Expenses</b>		
Distributions to Young Life	21,302,002	10,111,550
Distributions to similar organizations	127,690	470,752
Trust payments	117,967	173,571
Professional services	107,580	130,392
Interest expense	20,292	-
Intercompany charges	(1,677)	(9,383)
Office and property expense	1,198	5,975
	<u>21,675,052</u>	<u>10,882,857</u>
<b>Excess of Revenues, Gains and Other Support Over Expenses</b>	17,047,269	(3,869,261)
<b>Net Assets, Beginning of Year</b>	<u>38,522,650</u>	<u>42,391,911</u>
<b>Net Assets, End of Year</b>	<u>\$ 55,569,919</u>	<u>\$ 38,522,650</u>

**Young Life and Subsidiaries**  
**Consolidated Schedule of Functional Expenses**  
**Year Ended September 30, 2009**

	<b>Program Expenses</b>				<b>Supporting Expenses</b>			<b>Total Expenses</b>
	<b>Club Ministries</b>	<b>Camping Operations</b>	<b>Young Life Foundation Operations</b>	<b>Total</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>	
Salaries and employee benefits	\$ 92,391,998	\$ 20,668,983	\$ -	\$ 113,060,981	\$ 13,769,480	\$ 4,005,630	\$ 17,775,110	\$ 130,836,091
Club and camping activities	25,481,142	1,654,336	-	27,135,478	237,047	42,101	279,148	27,414,626
Office and property expense	7,464,759	7,109,755	1,198	14,575,712	1,754,915	419,686	2,174,601	16,750,313
Depreciation	1,149,367	11,011,974	-	12,161,341	846,956	141,934	988,890	13,150,231
Travel, moving and conference	2,574,402	885,523	-	3,459,925	1,533,299	372,897	1,906,196	5,366,121
Events and materials	821,144	-	-	821,144	1,761,482	6,038,077	7,799,559	8,620,703
Stores, food and supplies	(15)	6,610,566	-	6,610,551	330,908	52,072	382,980	6,993,531
Professional services	25,116	882,742	107,580	1,015,438	989,797	415,278	1,405,075	2,420,513
Training	227,661	254,492	-	482,153	491,036	4,168	495,204	977,357
Cost of sales	-	2,540,771	-	2,540,771	71,133	70,699	141,832	2,682,603
Vehicle expense	2,131,624	190,815	-	2,322,439	56,255	60,699	116,954	2,439,393
Miscellaneous	129,364	321,438	20,291	471,093	1,221,522	18,829	1,240,351	1,711,444
Distributions to similar organizations	3,737,217	-	127,690	3,864,907	14,935	4,807	19,742	3,884,649
Trust payments	-	-	117,967	117,967	-	-	-	117,967
Internal collections – printing and other	-	44,887	-	44,887	(756,467)	(723,991)	(1,480,458)	(1,435,571)
Internal collections – in excess of insurance and benefit expenses	(42,341)	-	-	(42,341)	(14,114)	-	(14,114)	(56,455)
<b>2009 total expenses</b>	<b>\$ 136,091,438</b>	<b>\$ 52,176,282</b>	<b>\$ 374,726</b>	<b>\$ 188,642,446</b>	<b>\$ 22,308,184</b>	<b>\$ 10,922,886</b>	<b>\$ 33,231,070</b>	<b>\$ 221,873,516</b>
Percentage of total expenses	61.3%	23.5%	0.2%	85.0%	10.1%	4.9%	15.0%	100.0%
<b>2008 total expenses</b>	<b>\$ 137,385,219</b>	<b>\$ 52,624,914</b>	<b>\$ 780,687</b>	<b>\$ 190,790,820</b>	<b>\$ 22,207,364</b>	<b>\$ 10,989,016</b>	<b>\$ 33,196,380</b>	<b>\$ 223,987,200</b>
Percentage of total expenses	61.4%	23.5%	0.3%	85.2%	9.9%	4.9%	14.8%	100.0%