

Financial Statements of

**UNITED WAY OF CAMBRIDGE
AND NORTH DUMFRIES**

Years ended December 31, 2012 and 2011



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INDEPENDENT AUDITORS' REPORT

To the Members/Trustees

We have audited the accompanying financial statements of United Way of Cambridge and North Dumfries which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, the statements of operations, changes in fund balances and cash flows for the years ended December 31, 2012 and December 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of United Way of Cambridge and North Dumfries as at December 31, 2012 December 31, 2012 and January 1, 2011, and its results of operations, its changes in fund balances and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

April 16, 2013

Waterloo, Canada

UNITED WAY OF CAMBRIDGE AND NORTH DUMFRIES

Statements of Financial Position

December 31, 2012, December 31, 2011 and January 1, 2011

	Operating Fund	Funds Held for Special Purposes	Tomorrow Fund	December 31, 2012	December 31, 2011	January 1, 2011
Assets						
Cash	\$ 363,024	\$ 38,449	\$ -	\$ 401,473	\$ 358,674	\$ 214,928
Marketable securities	-	516,551	695,036	1,211,587	1,343,638	1,574,422
Pledges receivable (note 2)	1,541,860	-	-	1,541,860	1,607,305	1,558,122
Accounts receivable	28,496	-	-	28,496	44,381	17,409
Inter-fund loan receivable	-	-	-	-	666	22,908
Prepaid expenses	14,454	-	-	14,454	3,361	3,919
	\$ 1,947,834	\$ 555,000	\$ 695,036	\$ 3,197,870	\$ 3,358,025	\$ 3,391,708
Liabilities and Fund Balances						
Appropriations payable (note 3)	\$ 1,769,879	\$ -	\$ -	\$ 1,769,879	\$ 1,947,934	\$ 1,943,795
Accounts payable and accrued liabilities (note 8)	102,946	-	-	102,946	204,246	185,052
Inter-fund loan payable	-	-	-	-	666	22,908
Deferred revenue	54,000	-	-	54,000	23,897	33,560
	1,926,825	-	-	1,926,825	2,176,743	2,185,315
Fund Balances						
Operating fund, unrestricted	\$ 21,009	\$ -	\$ -	\$ 21,009	\$ 27,230	\$ 65,621
Special purpose funds: (note 5)						
Internally restricted	-	555,000	-	555,000	511,311	475,332
Externally restricted	-	-	695,036	695,036	642,741	665,440
	21,009	555,000	695,036	1,271,045	1,181,282	1,206,393
	\$ 1,947,834	\$ 555,000	\$ 695,036	\$ 3,197,870	\$ 3,358,025	\$ 3,391,708

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director _____ Director

UNITED WAY OF CAMBRIDGE AND NORTH DUMFRIES

Statements of Operations and Fund Balances

Years ended December 31, 2012 and 2011

	Operating Fund	Funds Held for Special Purposes	Tomorrow Fund	2012	2011
Revenue:					
Contributions	\$ 2,370,031	\$ -	\$ -	\$ 2,370,031	\$ 2,462,485
Designations from other UW's	53,256	-	-	53,256	56,349
Flow through campaign	145,723	-	-	145,723	145,171
Other revenue	64,321	-	-	64,321	-
Unfulfilled pledges, net of prior year recoveries	(84,676)	-	-	(84,676)	(138,328)
Net campaign revenue	2,548,655	-	-	2,548,655	2,525,677
Grants and sponsorships	100,348	-	-	100,348	123,521
Investment income (note 7)	-	17,082	58,671	75,753	9,393
	2,649,003	17,082	58,671	2,724,756	2,658,591
Expenditures:					
Community investment and designations:					
Agency allocations	1,234,279	-	-	1,234,279	1,225,366
Outward designations	204,225	-	-	204,225	266,441
Flow through designations	123,126	-	-	123,126	122,758
Memberships	18,995	-	-	18,995	21,947
	1,580,625	-	-	1,580,625	1,636,512
Fundraising expenses (Schedule 1)	440,934	-	-	440,934	347,420
Special purpose fund expenses:					
Stabilization/emergency fund	-	-	-	-	24,721
Information technology fund	-	-	-	-	5,300
Tomorrow fund	-	-	5,710	5,710	15,713
Administration expenses (Schedule 1)	214,937	-	-	214,937	377,599
Program expenses (Schedule 1)	392,787	-	-	392,787	276,437
	2,629,283	-	5,710	2,634,993	2,683,702
Excess (deficiency) of revenue over expenses before transfers					
	19,720	17,082	52,961	89,763	(25,111)
Interfund transfers	(25,941)	26,607	(666)	-	-
Change in fund balances	(6,221)	43,689	52,295	89,763	(25,111)
Fund balances, beginning of year	27,230	511,311	642,741	1,181,282	1,206,393
Fund balances, end of year	\$ 21,009	\$ 555,000	\$ 695,036	\$ 1,271,045	\$ 1,181,282

See accompanying notes to financial statements.

UNITED WAY OF CAMBRIDGE AND NORTH DUMFRIES

Statements of Cash Flows

Years ended December 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 89,763	\$ (25,111)
Change in market value of marketable securities	(52,962)	10,281
Change in non-cash working capital:		
Pledges receivable	65,445	(49,183)
Accounts receivable	15,885	(26,972)
Prepaid expenses	(11,093)	558
Deferred revenue	30,103	(9,663)
Appropriations payable	(178,055)	4,139
Accounts payable and accrued liabilities	(101,300)	19,194
	(142,214)	(76,757)
Investing activities:		
Proceeds from sale of marketable securities	185,013	220,503
Increase in cash	42,799	143,746
Cash, beginning of year	358,674	214,928
Cash, end of year	\$ 401,473	\$ 358,674

See accompanying notes to financial statements.

UNITED WAY OF CAMBRIDGE AND NORTH DUMFRIES

Notes to Financial Statements

Years ended December 31, 2012 and December 31, 2011

Incorporation and operations:

The United Way of Cambridge and North Dumfries (the “United Way” or “Organization”) was incorporated as a not-for-profit organization without share capital under the Corporations Act of Ontario by letters patent dated January 28, 1983 and, as such, is not taxable for income tax purposes.

Through leadership, the United Way operates to improve lives and build our community by engaging individuals and mobilizing collective action.

1. Significant accounting policies:

On April 1, 2011, the Organization adopted Canadian Accounting Standards for not-for-profit organizations in Part III of the Canadian Institute of Chartered Accountants’ (“CICA”) Handbook. These are the first financial statements prepared in accordance with not-for-profit accounting standards.

In accordance with the transitional provisions in not-for-profit standards, the Organization has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is January 1, 2011 and all comparative information provided has been presented by applying not-for-profit standards.

There was no impact on fund balances on the transition to not-for-profit standards for the Organization as of January 1, 2011 or revenue over expenses for the year ended December 31, 2011.

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Standards in Part III of the CICA Handbook.

Financial statements are also to be prepared in accordance with the Transparency, Accountability and Financial Reporting Policies for United Ways (“TAFR”) set forth by the United Way of Canada Centraide. TAFR reporting is consistent with presentation under Canadian generally accepted accounting principles. These policies provide for consistent reporting and presentation of revenues and expenditures amongst all United Way organizations in Canada and provide a framework for the allocation of expenditures between program, fundraising and administrative activities. Expenditures are allocated to the program, fundraising and administrative categories based on the nature of the expenditures and the actual activities performed during the year and as such, these allocations will vary over time. The Organization is fully compliant with TAFR reporting requirements in fiscal 2012.

UNITED WAY OF CAMBRIDGE AND NORTH DUMFRIES

Notes to Financial Statements

Years ended December 31, 2012 and December 31, 2011

1. Significant accounting policies (continued):

(a) Fund accounting:

To ensure observation of restrictions placed on the use of resources available to the United Way, the accounts are maintained in accordance with the principles of restricted fund accounting. The resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. The assets, liabilities and fund balances of the Organization are reported in three self-balancing funds as follows:

(i) The **Operating Fund Balance** in the amount of \$21,009 (balance of \$27,230 in 2011) is required to fund anticipated 2013 operating expenditures. These expenditures will be incurred largely before any 2013 campaign contributions are received, thereby necessitating having working capital set aside in this fund.

(ii) The **Funds Held For Specific Purposes** represents resources internally restricted by the Organizations for use to meet specifically stated purposes. This fund includes the accounts of the following funds:

a. Stabilization/Emergency Fund:

The Stabilization and Agency Emergency funds provide a means to offset possible deficiencies in campaign results or collection experience, to meet unexpected organizational needs, to stabilize the level of allocations or increased allocations to partner agencies or to provide additional funds to agencies or non-partner agencies experiencing unforeseen financial emergencies.

b. Information Technology Fund:

The Organization has set aside funds to ensure dollars are available to upgrade computer hardware and software when required.

UNITED WAY OF CAMBRIDGE AND NORTH DUMFRIES

Notes to Financial Statements

Years ended December 31, 2012 and December 31, 2011

1. Significant accounting policies (continued):

(a) Fund accounting (continued):

(ii) The **Funds Held For Specific Purposes (continued)**:

c. New Initiatives Fund:

The Organization has set aside funds from appropriations, the purpose of which is to provide:

- special grants to organizations who are not member agencies of the United Way
- operating grants to organizations that are not member agencies but who may reasonably be expected to apply to become member agencies in the future; and
- grants to member agencies where such grants are separate and distinct from the recurring annual grant received by the member agency

The purpose of these grants is generally for these organizations to provide various social services within the community.

(iii) The **Tomorrow Fund** has been established in order to provide for emerging and long-term community needs and special projects and programs. Funds received under donated insurance policies and estate bequests are reflected as fund revenue in the year of the receipt of proceeds.

(b) Interfund transfers:

In 2012, as per Board policy transfers of \$25,241 (2011 - \$53,000) from the Operating fund to the Stabilization Emergency fund, \$700 (2011 - \$13,000) from the Operating Fund to the Information Technology fund and \$666 from the Tomorrow fund to the Stabilization Emergency fund (2011 - \$nil) were made.

UNITED WAY OF CAMBRIDGE AND NORTH DUMFRIES

Notes to Financial Statements

Years ended December 31, 2012 and December 31, 2011

1. Significant accounting policies (continued):

(c) Recognition of income:

The Organization follows the deferral method of accounting for contributions which include contributions and grants.

The Organization conducts a public campaign for funds during the last quarter of each fiscal year which is recorded as income in the current year, net of an allowance for uncollectible amounts. Since these funds are to be distributed to the member agencies and utilized for other approved purposes in the following year, the undistributed approved allocations are reflected in the statement of financial position as "appropriations payable" and presented in the statement of operations as "community investments".

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as direct increases in endowment net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from fees, contracts and sales of publications is recognized when the services are provided or the goods are sold.

Bequests and other endowments received are treated as income in the year of receipt and, accordingly, unless otherwise restricted for specific use, are reflected as part of the operating fund.

Donations of materials and services are not reflected in these financial statements because of the impracticality of the record keeping and valuation of them. As an example, a large number of volunteers donated significant amounts of their time in the Organization's activities and its fundraising campaigns. No amount has been reflected in the statements for donated services since no objective basis is available to measure the value of such services.

UNITED WAY OF CAMBRIDGE AND NORTH DUMFRIES

Notes to Financial Statements

Years ended December 31, 2012 and December 31, 2011

1. Significant accounting policies (continued):

(d) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(e) Allocation of administrative costs:

General management and administrative expenses are incurred to support functional areas and are allocated to fundraising and program expenses based on the time study method.

General management and administrative expenses are allocated as follows:

	2012	2011
Fundraising	\$ 94,572	\$ 166,144
Programming	120,365	211,455
	<u>\$ 214,937</u>	<u>\$ 377,599</u>

(f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of pledges receivable and appropriations payable at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

UNITED WAY OF CAMBRIDGE AND NORTH DUMFRIES

Notes to Financial Statements

Years ended December 31, 2012 and December 31, 2011

1. Significant accounting policies (continued):

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(h) Allocation of expenses:

General management and administrative expenses are incurred to support functional areas and are allocated to fundraising and program expenses based on the time study method.

2. Pledges receivable:

The pledges receivable in the statement of financial position consist of the following:

	December 31, 2012	December 31, 2011	January 1, 2011
Total pledges receivable:			
Current year campaign	\$ 1,519,232	\$ 1,597,564	\$ 1,529,926
Prior year campaign	144,166	169,506	181,189
	1,663,398	1,767,070	1,711,115
Less allowance for doubtful accounts	(121,538)	(159,765)	(152,993)
	\$ 1,541,860	\$ 1,607,305	\$ 1,558,122

UNITED WAY OF CAMBRIDGE AND NORTH DUMFRIES

Notes to Financial Statements

Years ended December 31, 2012 and December 31, 2011

2. Pledges receivable (continued):

As part of its annual fundraising campaign, the Organization obtained \$1,519,232 in pledges for the year (2011 - \$1,597,564). In accordance with the Organization's policy, the full amount was reported as revenue and an allowance for unfulfilled pledges has been accrued. In recent years, the Organization collected an average of 92% of the amounts pledged. These amounts are substantially collected within one year from the date of the financial statements and the remaining amounts are collected within two years.

3. Appropriations payable:

	December 31, 2012	December 31, 2011	January 1, 2011
Partner agencies, current year	\$ 1,234,275	\$ 1,234,275	\$ 1,253,525
Outward designations, current year	301,709	389,199	536,559
Outward designations, prior year	279,530	438,361	259,597
United Way of Canada	18,959	20,000	19,809
Allowance for unfulfilled outward designations	(64,594)	(133,901)	(125,695)
	<u>\$ 1,769,879</u>	<u>\$ 1,947,934</u>	<u>\$ 1,943,795</u>

4. Marketable securities:

	December 31, 2012	December 31, 2011	January 1, 2011
Cash	\$ 1,802	\$ 256,087	\$ 6,331
Fixed income securities and funds	210,815	270,410	260,946
Canadian equity mutual funds	303,934	175,066	663,723
Managed funds	695,036	642,075	643,422
	<u>\$ 1,211,587</u>	<u>\$ 1,343,638</u>	<u>\$1,574,422</u>

The fixed income securities and funds have interest rate of 4.8% to 4.9% (2012 - 4.8% to 4.9%) and mature in 2015.

UNITED WAY OF CAMBRIDGE AND NORTH DUMFRIES

Notes to Financial Statements

Years ended December 31, 2012 and December 31, 2011

5. Special purpose funds:

The funds listed below represent resources which are either internally restricted by the Board of Directors or externally restricted relative to instructions concerning the investment of capital and/or use of investment income as detailed in relevant documents.

	2012	2011
Funds held for specific purposes:		
Internally restricted:		
Stabilization/Emergency fund	\$ 540,000	\$ 495,490
New Initiatives fund	-	1,521
Information Technology fund	15,000	14,300
	<u>\$ 555,000</u>	<u>\$ 511,311</u>
The Tomorrow fund:		
Externally restricted	\$ 695,036	\$ 642,741

The excess of interest income over expenses earned in the Tomorrow Fund of \$52,961 for the year ended December 31, 2012 will be used to support new initiatives as part of the annual community investment process in 2013.

6. Lease obligations:

The lease obligation for office premises is for a five-year term ending on July 31, 2014 at an annual cost of approximately \$51,000 including rent, taxes, heat, hydro, maintenance and common charges.

7. Investment income:

Investment income earned, recorded in the statement of operations, is calculated as follows:

	2012	2011
Income earned on unrestricted resources	\$ 17,082	\$ 19,674
Income (loss) earned on managed resources	58,671	(10,281)
Total investment income recognized as revenue	<u>\$ 75,753</u>	<u>\$ 9,393</u>

UNITED WAY OF CAMBRIDGE AND NORTH DUMFRIES

Notes to Financial Statements

Years ended December 31, 2012 and December 31, 2011

8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$12,000 (December 31, 2011 - \$13,000; January 1, 2011 - \$10,757), which includes payroll related taxes.

9. Financial risks and concentration of credit risk:

(a) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposure from 2011.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to the accounts receivable and pledges receivable. The Organization assesses, on a continuous basis, accounts receivable and pledges receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. There has been no change to the risk exposure from 2011.

(c) Interest rate risk:

The Organization is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about the fixed rate investments are included in note 4.

10. Nevada ticket sales:

The Organization generated income in the amount of \$24,000 (2011 - \$23,722) by way of Nevada ticket sales. These tickets were sold for the Organization at the Buck Variety in Cambridge. The income was allocated to the Partner Agencies of the Organization through the usual monthly allocation process.

UNITED WAY OF CAMBRIDGE AND NORTH DUMFRIES

Schedule 1

Years ended December 31, 2012 and December 31, 2011

	Fundraising	Administration	Program expenses	Total 2012	Total 2011
Salaries	\$ 246,045	\$ 153,994	\$ 227,609	\$ 627,648	\$ 556,692
Employee benefits	45,083	24,993	46,770	116,846	117,799
Office and meeting supplies	5,554	1,553	4,975	12,082	20,727
Postage and shipping	3,333	1,352	3,175	7,860	18,274
Photocopying and supplies	3,961	1,683	4,258	9,902	27,476
Telephone	4,522	1,304	4,530	10,356	9,474
Equipment purchase and maintenance	12,498	5,312	13,436	31,246	42
Building, rent, utilities and maintenance	20,869	8,869	22,435	52,173	39,565
Training and travel	14,840	4,700	15,269	34,809	50,163
Insurance	1,377	585	1,480	3,442	18,978
VSR program expenses	-	-	17,532	17,532	-
Bank service charges	1,724	782	1,755	4,261	4,727
Professional fees	21,765	9,250	23,397	54,412	50,674
Community investment project costs	-	-	2,726	2,726	24,157
Promotional materials	30,419	560	3,440	34,419	55,493
Winter Warmth program	-	-	-	-	7,215
Nevada tickets	28,944	-	-	28,944	-
	\$ 440,934	\$ 214,937	\$ 392,787	\$ 1,048,658	\$ 1,001,456