



United Way
Kitchener Waterloo & Area



Financial Statements

For the twelve month period ended
March 31st, 2016

Together, we are possibility.



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INDEPENDENT AUDITORS' REPORT

To the Directors of United Way of Kitchener-Waterloo and Area:

We have audited the accompanying financial statements of United Way of Kitchener-Waterloo and Area, which comprise the statement of financial position as at March 31, 2016, the statements of operations, changes in fund balances and cash flows for the year then ended, 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 audit. We conducted our audit 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 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 Kitchener-Waterloo and Area as at March 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 22, 2016
Waterloo, Canada

UNITED WAY OF KITCHENER-WATERLOO AND AREA

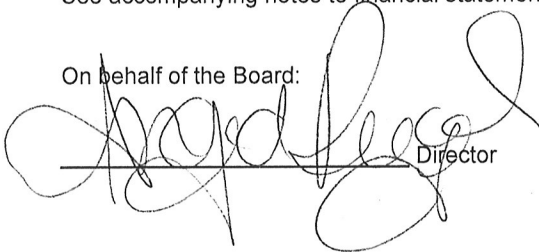
Statement of Financial Position


March 31, 2016, with comparative information for 2015

	Operating Fund	Stabilization/ Emergency Fund	Special Initiatives Fund	Total 2016	Total 2015
Assets					
Current assets:					
Cash	\$ 366,093	\$ -	\$ -	\$ 366,093	\$ 41,840
Investments (note 2)	567,837	1,200,000	517,138	2,284,975	2,662,205
HST receivable	45,082	-	-	45,082	39,500
Prepaid expenses	23,679	-	-	23,679	20,605
	1,002,691	1,200,000	517,138	2,719,829	2,764,150
Capital assets (note 3)	87,465	-	-	87,465	121,059
	\$ 1,090,156	\$ 1,200,000	\$ 517,138	2,807,294	\$ 2,885,209
Liabilities and Net Assets					
Current liabilities:					
Accounts payable and accrued liabilities (note 4)	\$ 176,443	\$ -	\$ -	\$ 176,443	\$ 65,818
Accrued donor designations	-	-	-	-	3,933
Deferred contributions (note 5)	26,248	-	-	26,248	20,037
Interfund payable (receivable)	800,000	-	(800,000)	-	-
	1,002,691	-	(800,000)	202,691	89,788
Deferred capital contributions (note 6)	69,251	-	-	69,251	108,571
Fund balances:					
Internally restricted - capital assets	18,214	-	-	18,214	12,488
Internally restricted - reserve	-	1,200,000	1,317,138	2,517,138	2,674,362
	18,214	1,200,000	1,317,138	2,535,352	2,686,850
Commitments (note 10)					
	\$ 1,090,156	\$ 1,200,000	\$ 517,138	\$ 2,807,294	\$ 2,885,209

See accompanying notes to financial statements.

On behalf of the Board:


Director


Director

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Statement of Operations

Year ended March 31, 2016, with comparative information for the fifteen month period ended March 31, 2015

	Operating Fund	Stabilization/ Emergency Fund	Special Initiatives Fund	Year ended March 31, 2016	Fifteen month period ended March 31, 2015
Revenue:					
Resource development	\$ 4,465,036	\$ -	\$ -	\$ 4,465,036	\$ 5,938,760
Revenue from deferred contributions	-	-	-	-	63,238
Investment income (note 8)	93,743	14,621	5,932	114,296	205,555
Other	226,079	-	-	226,079	117,082
Transfers from other					
United Ways	116,905	-	-	116,905	104,302
Transfers to other					
United Ways	(126,412)	-	-	(126,412)	(146,858)
Amortization of deferred capital contributions	39,320	-	-	39,320	19,621
Total revenue	4,814,671	14,621	5,932	4,835,224	6,301,700
Fundraising expenditures (Schedule 1)	956,088	-	-	956,088	1,206,961
Net revenue available for community investment	3,858,583	14,621	5,932	3,879,136	5,094,739
Community investment and program (Schedule 2)	4,030,634	-	-	4,030,634	5,109,845
Excess (deficiency) of revenue over expenditures	\$ (172,051)	\$ 14,621	\$ 5,932	\$ (151,498)	\$ (15,106)

See accompanying notes to financial statements.

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Statement of Changes in Fund Balances

Year ended March 31, 2016, with comparative information for the fifteen month period ended March 31, 2015

	Operating Fund	Stabilization/ Emergency Fund	Special Initiatives Fund	Year ended March 31, 2016	Fifteen month period ended March 31, 2015
Fund balances, beginning of period	\$ 12,488	\$ 1,280,002	\$ 1,394,360	\$ 2,686,850	\$ 2,701,956
Excess (deficiency) of revenue over expenditures	(172,051)	14,621	5,932	(151,498)	(15,106)
Interfund transfer (note 7)	177,777	(94,623)	(83,154)	-	-
Fund balances, end of period	\$ 18,214	\$ 1,200,000	\$ 1,317,138	\$ 2,535,352	\$ 2,686,850

See accompanying notes to financial statements.

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for the fifteen month period ended March 31, 2015

	Year ended March 31, 2016	Fifteen month period ended March 31, 2015
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenditures	\$ (151,498)	\$ (15,106)
Items not involving cash:		
Amortization of capital assets	33,158	39,194
Amortization of deferred capital contribution	(39,320)	(19,621)
Change in fair value of investments	(22,770)	(131,969)
Write-off of capital assets	16,916	-
Changes in non-cash operating working capital		
HST receivable	(5,582)	22,891
Prepaid expenses	(3,074)	1,508
Accounts payable and accrued liabilities	110,625	(14,846)
Accrued donor designations	(3,933)	(141,843)
Deferred contributions	6,211	(27,144)
	(59,267)	(286,936)
Financing activities:		
Contributions for capital assets	-	19,192
Investing activities:		
Purchase and deposits on capital assets	(16,480)	(44,095)
Net (purchase) sale of investments	400,000	(300,000)
	383,520	(344,095)
Increase (decrease) in cash	324,253	(611,839)
Cash, beginning of period	41,840	653,679
Cash, end of period	\$ 366,093	\$ 41,840

See accompanying notes to financial statements.

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Notes to Financial Statements

Year ended March 31, 2016

United Way Kitchener-Waterloo and Area's ("United Way KW & Area or Organization") vision is "Together...Strengthening the Community for All". United Way KW & Area works collaboratively with businesses, government, and other non-profits to create opportunities for a better life for everyone in the community.

United Way KW & Area operates to the highest standards of conduct consistent with its commitment to transparency and integrity.

United Way KW & Area is a charitable organization registered under the Income Tax Act of Canada and, as such, is exempt from income taxes.

In the prior year, the Board of Directors approved a change of fiscal year end to March 31 and was granted permission by the Canada Revenue Agency. Accordingly the comparative information is for the fifteen month period end March 31, 2015.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with the Chartered Professional Accountants of Canada Handbook Part III - Canadian accounting standards for not-for-profit organizations.

These financial statements have been prepared in accordance with the Transparency, Accountability and Financial Reporting Policies for United Ways ("TAFR") set forth by the United Way of Canada. 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. Expenditures incurred by the Organization are classified as fundraising, community investment and program, and administrative expenditures. Administrative expenditures are allocated to fundraising and program expenditures based on actual activity.

(a) Revenue recognition:

United Way KW & Area holds several fundraising events annually including a fall workplace campaign and a variety of special events and other functions. The Organization follows the deferral method of accounting for contributions.

Unrestricted campaign pledge payments, proceeds from special events and one-time donations are recorded as revenue in the year in which they are received.

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(a) Revenue recognition (continued):

Donor designations represent donations made by individuals and organizations which are designated to be distributed to other United Ways, Supported Agencies of United Way KW & Area and/or other charitable organizations. Donor designations are paid to the designated agencies annually. Donor designated donations which have been collected in the current year but have not yet been paid to designated agencies are reported as accrued donor designations.

Restricted contributions and sponsorships are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions from sponsorships are recognized in the year in which they are received. Revenue from grants is recognized over the period to which the grant applies or in the year in which the related expenditures are incurred.

Investment income, permanent endowment fund income, and other income is recognized on the cash basis as it is earned. Investment income earned is retained in the fund in which the investments are held.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis and at a rate corresponding with the amortization rate for the related capital assets.

(b) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written off.

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(b) Capital assets (continued):

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

	Basis	Rate
Computer equipment and software	Declining balance	30%
Office equipment	Declining balance	20%
Leasehold improvements	Straight-line	Lease term

(c) Contributed services:

A substantial number of volunteers and supporters 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.

(d) Gifts in kind:

The Organization benefits from a variety of gifts in kind. These financial statements do not reflect any revenue or expenditures related to gifts in kind.

(e) Fund accounting:

The Board of Directors has created three internally restricted funds. These funds include an Operating Fund and two Reserve Funds. The Reserve Funds include the Stabilization/Emergency Fund ("SEF") and the Special Initiatives Fund ("SIF").

The Operating Fund is to manage United Way KW & Area's community impact work through its fundraising and program expenditures, surplus generated is transferred to the SEF, and to the extent that funds are available. In the event that the SEF is fully reserved, any surplus of the Operating Fund is transferred to SIF. In the event that a deficit is generated by the Operating Fund, funds will be taken first from the SEF to the amount needed to cover the deficit and/or the amount available to the fund and secondly, from SIF to the amount needed to cover the shortfalls.

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(e) Fund accounting (continued):

The purpose of the SEF is to provide a reserve from which funds may be transferred in the case of revenue shortfalls. The Board of Directors approves any transfers from the SEF. The minimum balance carried in the SEF will be the approximate amount required in order to meet the short-term financial requirements of United Way KW & Area (three months of fundraising and program expenses, based on the current year's budget) and to provide for a certain amount of community investment sustainability (three months of community payments based on approved funding). The maximum balance carried in the SEF will be the approximate amount required to meet the short-term financial requirements of United Way KW & Area (six months of fundraising and program expenses, based on the current budget), and to provide for a certain amount of community funding sustainability (six months of community payments based on approved funding). In the event that, after any transfer from/to the Operating Fund, the SEF is below the minimum or exceeds the maximum balance, funds will be transferred to the extent available/required to/from the SIF. If after all transfers have been completed, the balance in the SEF is below the minimum balance, the fund will be replenished as needed in the following fiscal year(s) as determined by the Board of Directors and Management.

The purpose of the SIF is to provide funding to meet capital purchases requirements, to provide special grants and/or payments, to fund new community initiatives and other non-recurring expenditures that may arise from time to time. The SIF will be used to supplement the SEF in the event that the SEF balance is below the parameters of the fund. The Board of Directors approves any transfers from the SIF. The maximum balance carried in the SIF will be based, to the extent available, on the current and anticipated needs of the Organization, to be determined annually, following the annual audit.

(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 contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates.

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(g) Allocated expenses:

United Way KW & Area incurs expenditures related to administration, marketing and communication that are not directly attributable to one aspect of operations. These expenditures are allocated to the operating activities of fundraising and program based on the number of employees and the percentage of time employees spend on each of those functions.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition.

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.

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Investments:

	2016		2015	
Cash	\$	-	\$	3,688
Fixed income securities		1,350,243		1,339,642
Canadian equity mutual funds		934,732		1,318,875
	\$	2,284,975	\$	2,662,205

The fixed income securities produce a yield of 2.1% to 4.6% (2015 - 2.2% to 4.6%) and mature between May 27, 2016 and June 2, 2024.

3. Capital assets:

	2016		2015	
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment and software	\$ 162,074	\$ 75,488	\$ 86,586	\$ 117,443
Office equipment	1,439	560	879	3,616
	\$ 163,513	\$ 76,048	\$ 87,465	\$ 121,059

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$nil (2015 - \$2,100), which includes amounts payable for payroll related taxes.

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Notes to Financial Statements (continued)

Year ended March 31, 2016

5. Deferred contributions:

	2016	2015
Balance, beginning of period	\$ 20,037	\$ 47,181
Contributions received	29,311	47,648
Amounts expensed	(23,000)	(74,792)
Balance, end of period	\$ 26,248	\$ 20,037

The use of the funds is restricted to the activities agreed upon by the Organization and organizations providing the funding. Grants and other deferred contributions have been provided and used during 2015 - 2016 for the following activities:

- Resiliency collaborative initiative
- Centre for Sustainability Research

6. Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized assets amount and unspent amounts of contributions received to purchase capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2016	2015
Balance, beginning of period	\$ 108,571	\$ 109,000
Contributions received	-	19,192
Amortization of deferred capital contributions	(39,320)	(19,621)
Balance, end of period	\$ 69,251	\$ 108,571

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Notes to Financial Statements (continued)

Year ended March 31, 2016

7. Inter-fund transfers:

The Board of Directors approved that funds be transferred from the Special Initiatives Fund to cover any short falls in the Operating Fund. The Board of Directors approved the transfer of funds from SIF to SEF to ensure the fund is at the appropriate levels per the Organization's policy (note 1(e)). During the period \$177,777 was transferred from the Stabilization/Emergency Fund to the Operating Fund. In addition \$83,154 was transferred from the Special Initiatives Fund to the Stabilization/Emergency Fund.

8. Investment income:

Investment income earned, recorded in the statement of operations, and is composed of:

	Year ended March 31, 2016	Fifteen month period ended March 31, 2015
Income earned on unrestricted resources	\$ 5,143	\$ 23,204
Income earned on restricted resources	20,553	107,351
Income earned on resources held for endowment	88,600	75,000
Total investment income recognized as revenue	\$ 114,296	\$ 205,555

9. Endowment funds:

United Way KW & Area entered into an agreement that establishes a permanent endowment fund with the Kitchener and Waterloo Community Foundation. Under the terms of the agreement, the capital cannot be withdrawn and only the related income can be paid to United Way KW & Area.

The estimated market value of the endowment fund and the income received during the year from the endowment fund, are as follows:

	2016	2015
Market value	\$ 2,416,359	\$ 2,406,148
Income received	88,600	75,000

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Notes to Financial Statements (continued)

Year ended March 31, 2016

10. Commitments:

The Organization has an operating lease for its premises that expires on March 31, 2016. The lease includes monthly operating costs at an estimated rate of \$6,000 per month.

Estimated minimum annual lease payments for the term of the lease, and other contractual commitments is as follows:

2017	\$	29,930
2018		29,980
2019		29,990
2020		29,990
2021		29,990

11. Financial instruments:

(a) Credit risk:

Financial instruments which are potentially exposed to credit risk include cash and cash equivalents. Management considers its exposure to credit risk attributable to cash and cash equivalents to be trivial as the Organization holds cash deposits at one major Canadian chartered bank.

(b) Interest rate risk:

The Organization is exposed to interest rate risk arising from fluctuations in interest rates depending on prevailing rates at renewal of investments. To manage interest rate exposure, the Organization invests in a variety of different interest bearing investments with different carrying characteristics.

(c) Liquidity risk:

Liquidity risk is the risk that the Organization will not be able to meet its financial obligations as they come due. The Organization has taken steps to ensure that it has sufficient working capital available to meet its obligations.

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Notes to Financial Statements (continued)

Year ended March 31, 2016

11. Financial instrument (continued):

(d) Market risk:

Market risk is the risk that changes in market prices, such as equity prices and interest rates will affect United Way KW & Area's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

United Way KW & Area's Investment Policy details parameters and goals under which investment decisions are made. The primary objective of the Investment Policy is capital preservation.

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Schedule 1 – Fundraising Expenditures

Year ended March 31, 2016, with comparative information for the fifteen month period ended March 31, 2015

	Year ended March 31, 2016	Fifteen month period ended March 31, 2015
Fundraising expenditures:		
Direct mail and communication	\$ 9,163	\$ 6,819
Leadership recognition	6,389	425
Other expenses	10,280	19,503
Salaries, wages and benefits	314,049	425,223
Special events	51,414	60,078
United Way of Canada Affiliation Fees	26,373	25,136
Workplace campaign	48,798	40,382
	466,466	577,566
Allocation of administrative expenditures (Schedule 3)	489,622	629,395
Total fundraising expenditures	\$ 956,088	\$ 1,206,961

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Schedule 2 – Community Investment and Program Expenditures

Year ended March 31, 2016, with comparative information for the fifteen month period ended March 31, 2015

	Year ended March 31, 2016	Fifteen month period ended March 31, 2015
Community Investment and Program:		
Community allocations	\$ 3,101,701	\$ 3,906,212
Donor designations	59,497	59,848
Project grants	134,345	78,150
Community initiatives	4,451	62,493
Program expenditures:		
Salaries, wages and benefits	197,972	299,334
Research	-	21,736
Other expenses	16,673	27,541
United Way of Canada Affiliation Fees	26,373	25,136
	<u>3,541,012</u>	<u>4,480,450</u>
Allocation of administrative expenditures (Schedule 3)	489,622	629,395
Total community investment and program expenditures	\$ 4,030,634	\$ 5,109,845

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Schedule 3 – Administrative Expenditures

Year ended March 31, 2016, with comparative information for the fifteen month period ended March 31, 2015

	Year ended March 31, 2016	Fifteen month period ended March 31, 2015
Administrative expenditures:		
Administrative and office	\$ 41,742	\$ 43,096
Communication and technology	62,714	90,851
Facilities and equipment	113,527	137,955
Marketing and communications	23,651	25,266
Professional fees	11,193	15,085
Salaries, wages and benefits	711,003	920,203
Travel, automobile and community relations	15,414	26,334
Total administrative expenditures	\$ 979,244	\$ 1,258,790
Allocation of fundraising expenditures (Schedule 1)	\$ (489,622)	\$ (629,395)
Allocation to community investment and program expenditures (Schedule 2)	(489,622)	(629,395)
	\$ -	\$ -