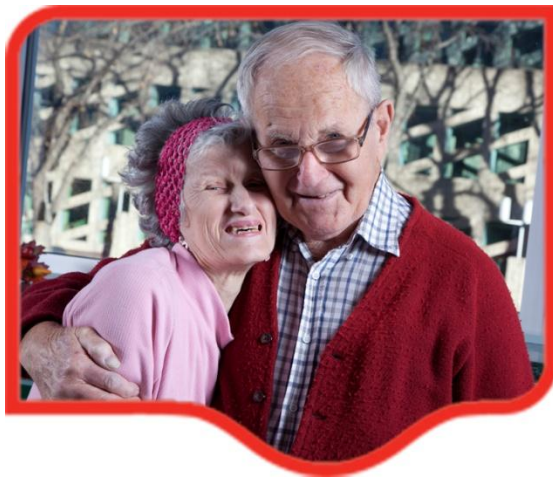


Financial Statements

For the years ended December 31, 2012
and 2011



Change starts here.

Give. Volunteer. Act.

Financial Statements of

**UNITED WAY OF KITCHENER-
WATERLOO AND AREA**

Years ended December 31, 2012 and 2011



KPMG LLP
Chartered Accountants
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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 statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, the statements of fund balances, operations and cash flows for the years ended December 31, 2012 and 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 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, financial position of United Way of Kitchener-Waterloo and Area as at December 31, 2012, December 31, 2011 and January 1, 2011, and its results of operations and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

April 24, 2013
Waterloo, Canada

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Statement of Financial Position

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

	Operating Fund	Stabilization/ Emergency Fund	Supplemental Initiatives Fund	December 31, 2012	December 31, 2011	January 1, 2011
Assets						
Current assets:						
Cash (note 2)	\$ 525,195	\$ 714,064	\$ 1,236,726	\$ 525,195	\$ 758,216	\$ 388,559
Investments (note 3)	524,807	-	-	2,475,597	1,791,199	2,167,291
HST receivable	30,455	-	-	30,455	37,403	25,556
Prepaid expenses	24,088	-	-	24,088	40,571	40,033
	1,104,545	714,064	1,236,726	3,055,335	2,627,389	2,621,439
Capital assets (note 4)	36,600	-	-	36,600	49,415	44,345
	\$ 1,141,145	\$ 714,064	\$ 1,236,726	\$ 3,091,935	\$ 2,676,804	\$ 2,665,784

Liabilities and Net Assets

Current liabilities:						
Accounts payable and accrued liabilities (note 8)	\$ 60,729	\$ -	\$ -	\$ 60,729	\$ 73,340	\$ 180,200
Accrued donor designations	165,824	-	-	165,824	246,090	284,282
Deferred contributions (note 5)	48,974	-	-	48,974	49,624	71,516
Interfund payable (receivable)	829,018	-	(829,018)	-	-	-
	1,104,545	-	(829,018)	275,527	369,054	535,998
Fund balances:						
Internally restricted - capital assets	36,600	-	-	36,600	49,415	44,435
Internally restricted - reserve	-	714,064	2,065,744	2,779,808	2,258,335	2,085,441
	36,600	714,064	2,065,744	2,816,408	2,307,750	2,129,786
	\$ 1,141,145	\$ 714,064	\$ 1,236,726	\$ 3,091,935	\$ 2,676,804	\$ 2,665,784

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director _____ Director

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Statements of Fund Balances

Years ended December 31, 2012 and 2011

2012	Operating Fund	Stabilization/ Emergency Fund	Supplemental Initiatives Fund	Total
Fund balances, beginning of year	\$ 44,445	\$ 723,889	\$ 1,539,416	\$ 2,307,750
Net funds remaining during the year	454,348	27,404	26,906	508,658
Inter-fund transfers	(462,193)	(37,229)	499,422	-
Fund balances, end of year	\$ 36,600	\$ 714,064	\$ 2,065,744	\$ 2,816,408

2011	Operating Fund	Stabilization/ Emergency Fund	Supplemental Initiatives Fund	Total
Fund balances, beginning of year	\$ 44,345	\$ 777,551	\$ 1,307,890	\$ 2,129,786
Net funds remaining (used) during the year	177,617	8,208	(7,861)	177,964
Inter-fund transfers	(177,517)	(61,870)	239,387	-
Fund balances, end of year	\$ 44,445	\$ 723,889	\$ 1,539,416	\$ 2,307,750

See accompanying notes to financial statements.

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Statements of Operations

Years ended December 31, 2012 and 2011

	Operating Fund	Stabilization/ Emergency Fund	Supplemental Initiatives Fund	2012	2011
Revenue:					
Resource development	\$ 4,883,079	\$ -	\$ -	\$ 4,883,079	\$ 5,038,556
Revenue from deferred contributions	22,628	-	-	22,628	112,092
Investment income	81,092	27,404	26,906	135,402	19,521
Other	190,875	-	-	190,875	-
Transfers from Other United Ways	211,797	-	-	211,797	103,327
Transfers to Other United Ways	(105,080)	-	-	(105,080)	(188,986)
Total revenue	5,284,391	27,404	26,906	5,338,701	5,084,510
Fundraising expenditures (Schedule 1)	776,553	-	-	776,553	806,196
Net revenue available for community investment	4,507,835	27,404	26,906	4,562,148	4,278,314
Community investment program:					
Community investment and program (Schedule 2)	4,026,885	-	-	4,026,885	4,024,060
Community initiatives	26,605	-	-	26,605	61,977
Strategic restructuring	-	-	-	-	14,313
	4,053,490	-	-	4,053,490	4,100,350
Net funds remaining for the year	\$ 454,348	\$ 27,404	\$ 26,906	\$ 508,658	\$ 177,964

See accompanying notes to financial statements.

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Statements of Cash Flows

Years ended December 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 508,658	\$ 177,964
Items not involving cash:		
Amortization of capital assets	15,041	15,460
Change in fair value of investments	(84,398)	(23,908)
Change in non-cash operating working capital		
HST receivable	6,948	(11,847)
Prepaid expenses	16,483	(538)
Accounts payable and accrued liabilities	(12,611)	(106,860)
Accrued donor designations	(80,266)	(38,192)
Net increase in deferred contributions	(650)	(21,892)
	369,205	(9,813)
Investing activities:		
Purchase of capital assets	(2,226)	(20,530)
Purchase of investments	(600,000)	-
Proceeds on sale of investments	-	400,000
	(602,226)	379,470
Increase (decrease) in cash	(233,021)	367,437
Cash, beginning of year	758,216	388,559
Cash, end of year	\$ 525,195	\$ 758,216

See accompanying notes to financial statements.

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Notes to Financial Statements

Years ended December 31, 2012 and 2011

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

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

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

On January 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 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, 2010 and all comparative information provided has been presented by applying not-for-profit standards.

A summary of transitional adjustments recorded to fund balances and net funds remaining is provided in note 11.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for not-for-profit organizations in Part III of the CICA Handbook.

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 to community investment and program expenditures based on actual activity.

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

1. Significant accounting policies (continued):

(a) Revenue recognition:

The Organization 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.

Donor designations represent donations made by individuals and corporations which are designated to be distributed to other United Ways, Funded Agencies of United Way KW 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 and 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, Forever Fund income, and other income is recognized on the accrual basis as it is earned. Investment income earned is retained in the fund to which the investments are held.

(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 down to its residual value.

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

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:

	Rate
Computer equipment	30%
Office equipment	20%
Leasehold improvements	3 years

(c) 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.

(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 and the Supplemental Initiatives Fund.

The purpose of the Operating Fund is to manage United Way KW's community impact work through its fundraising and program expenditures. Any surplus generated by the Operating Fund is transferred to the Supplemental Initiatives Fund. Any deficit experienced by the Operating Fund is recovered from the Stabilization/Emergency Fund to the extent that funds are available.

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

1. Significant accounting policies (continued):

(e) Fund accounting (continued):

The purpose of the Stabilization/Emergency Fund is to supplement allocations to agencies when campaign revenues (collection of pledges) are depressed and/or to provide funding in the event of an emergency, such as natural or man-made disasters. The balance of the fund is not to exceed 15% of the average of total campaign revenue for the three-year period ended on the balance sheet date. The excess balance after the transfer to or from the Operating Fund, if any, is transferred to the Supplemental Initiatives Fund.

The purpose of the Supplemental Initiatives Fund is to provide funding for future initiatives. These may include, but are not limited to, the following purposes; bequest/endowment funds, capital purchases, new initiatives, grants, agencies' capital campaigns, and guaranteed sustaining allocations when the annual campaign is lower than previous performances.

(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.

(g) Allocated expenses:

United Way KW 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 total salary and benefits of the employees in each of those activities, as well as square footage of floor space occupied by each of those activities.

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

1. Significant accounting policies (continued):

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at fair value.

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.

2. Investments:

	December 31, 2012	December 31, 2011	January 1, 2011
Cash	\$ 9,886	\$ 4,111	\$ -
Fixed income securities and funds	1,203,327	1,196,357	1,998,980
Canadian equity mutual funds	1,262,349	590,731	168,311
	<u>\$ 2,475,562</u>	<u>\$ 1,791,199</u>	<u>\$ 2,167,291</u>

The fixed income securities produce a yield of 2.2% to 4.6% (2011 - 1.8% to 4.6%) and mature between 2013 and 2020.

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

3. Capital assets:

December 31, 2012	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 122,188	\$ 94,680	\$ 27,508
Office equipment	24,623	18,931	5,692
Leasehold improvements	9,650	6,250	3,400
	\$ 156,461	\$ 119,861	\$ 36,600

December 31, 2011	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 119,963	\$ 85,123	\$ 34,840
Office equipment	24,623	17,659	6,964
Leasehold improvements	9,650	2,039	7,611
	\$ 154,236	\$ 104,821	\$ 49,415

January 1, 2011	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 109,990	\$ 73,109	\$ 36,881
Office equipment	23,715	16,251	7,464
Leasehold improvements	-	-	-
	\$ 133,705	\$ 89,360	\$ 44,345

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

4. Deferred contributions:

	Trillium fund grants		Other programs		2012	2011
Balance, beginning of year	\$	34,705	\$	14,919	\$ 49,624	\$ 71,516
Contributions received		21,500		8,000	21,978	90,200
Amounts expensed		(14,005)		(16,145)	(22,628)	(112,092)
Balance end of year	\$	42,200	\$	6,774	\$ 48,974	\$ 49,624

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 2012 for the following activities:

- Database system software
- Resiliency collaborative initiative
- Research in the community
- "Text to Give" program
- Woman's "Giving Circle" grants

5. Inter-fund transfer:

The surplus realized by the Operating Fund was transferred to the Stabilization/Emergency Fund to the maximum balance permitted with the excess transferred to the Supplemental Initiatives Fund as described in the Summary of Significant Accounting Policies.

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

6. Investment income:

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

	2012	2011
Income earned on unrestricted resources	\$ 36,005	\$ 9,833
Income earned on restricted resources	54,300	9,688
Income earned on resources held for endowment	45,087	44,321
Total investment income recognized as revenue	\$ 135,402	\$ 63,842

7. Endowment funds:

United Way KW entered into an agreement to establish 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.

The estimated market value of the endowment funds as at December 31, and the income received during the year from the endowment funds, are as follows:

	2012	2011
Market value	\$ 1,794,208	\$ 1,366,475
Income received	45,087	44,321

8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$8,594 (December 31, 2011 - \$10,390, January 1, 2011 - \$8,322), which includes amounts payable for payroll related taxes.

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

9. Commitments:

The organization has an operating lease for its premises that expires on March 31, 2014. 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 are:

2013	\$	72,000
2014		18,000
	\$	90,000

10. Financial risks:

(a) Credit risk:

Financial instruments which are potentially exposed to credit risk include cash, cash equivalents, and HST receivable. 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. HST receivable is payable by the Receiver General and therefore bears extremely low risk.

(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 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)

Years ended December 31, 2012 and 2011

10. Financial risks (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'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's Investment Policy details parameters and goals under which investment decisions are made. The primary objective of the Investment Policy is capital preservation.

11. Transitional adjustments:

Excess of revenue over expenses:

As a result of the above noted elections and the retrospective application of Not-for-Profit Standards, the Organization recorded the following adjustments to excess of revenue over expenses for the year ended December 31, 2011:

Excess of revenue over expenses:	
As previously reported under Canadian generally accepted accounting principles for year ended December 31, 2011	\$ 184,088
Decrease to investment income as a result of electing to record investments at fair value	(6,124)
Restated for the year ended December 31, 2011	\$ 177,964

In accordance with transitional provisions of ASPE, the Organization has elected to use the following exemption:

Fair value:

The Organization has elected to measure all investments at January 1, 2011 using the fair value election.

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Schedule 1 – Fundraising Expenditures

Years ended December 31, 2012 and 2011

	2012	2011
Fundraising expenditures:		
Direct mail and communication	\$ 4,856	\$ 2,383
Leadership recognition	8,485	6,759
Other expenses	3,844	5,841
Salaries, wages and benefits	150,078	164,716
Special events	42,442	71,971
United Way of Canada Affiliation Fees	25,673	20,713
Workplace campaign	38,772	14,060
	274,150	286,443
Allocation of administrative expenditures (Schedule 3)	502,403	519,753
Total fundraising expenditures	\$ 776,553	\$ 806,196

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Schedule 2 – Community Investment and Program

Years ended December 31, 2012 and 2011

	2012	2011
Community Investment and Program:		
Community allocations	\$ 3,276,150	\$ 3,276,150
Donor designations	68,943	151,388
Project grants	148,000	37,628
Program expenditures:		
Salaries, wages and benefits	150,932	169,628
Research	3,140	12,294
Other expenses	19,112	10,644
United Way of Canada Affiliation Fees	25,673	20,026
	3,691,950	3,677,502
Allocation of administrative expenditures (Schedule 3)	334,935	346,502
Total community investment and program	\$ 4,026,885	\$ 4,024,060

UNITED WAY OF KITCHENER-WATERLOO AND AREA

Schedule 3 – Administrative Expenditures

Years ended December 31, 2012 and 2011

	2012	2011
Administrative expenditures:		
Administrative and office	\$ 37,513	\$ 69,125
Communication and technology	78,099	68,599
Facilities and equipment	84,478	102,013
Marketing and communications	17,786	12,032
Professional fees	13,617	14,792
Salaries, wages and benefits	590,122	587,289
Travel, automobile and community relations	15,723	12,405
Total administrative expenditures	837,338	866,255
Allocation of fundraising expenditures (Schedule 1)	(502,403)	(519,753)
Allocation to program expenditures (Schedule 2)	(334,935)	(346,502)
	\$ -	\$ -