

Financial Statements of

**UNITED WAY WATERLOO
REGION COMMUNITIES**

Year ended March 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Directors of United Way Waterloo Region Communities:

We have audited the accompanying financial statements of United Way Waterloo Region Communities, which comprise the statement of financial position as at March 31, 2018, 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.



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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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of United Way Waterloo Region Communities as at March 31, 2018, 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.

Other matters – Comparative information

The financial statements have been prepared based on the pooling interests method. This method of accounting requires that the financial statements are prepared as if the operations of the amalgamated entities were combined since inception. Accordingly, the comparative information includes the combined results of United Way Kitchener-Waterloo and Area and United Way Cambridge and North Dumfries.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada
June 26, 2018

UNITED WAY WATERLOO REGION COMMUNITIES

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	Operating Fund	Stabilization/ Emergency Fund	Special Initiatives Fund	Tomorrow Fund	Total 2018	Total 2017
Assets						
Current assets:						
Cash	\$ 1,562,663	\$ -	\$ -	\$ -	\$ 1,562,663	\$ 366,881
Investments (note 2)	5,861	557,937	-	723,333	1,287,131	2,888,215
Accounts receivable	66,003	-	-	-	66,003	58,566
Prepaid expenses	33,932	-	-	-	33,932	31,715
	1,668,459	557,937	-	723,333	2,949,729	3,325,377
Capital assets (note 3)						
	42,599	-	-	-	42,599	161,613
	\$ 1,711,058	\$ 557,937	\$ -	\$ 723,333	\$ 2,992,328	\$ 3,486,990
Liabilities and Net Assets						
Current liabilities:						
Accounts payable and accrued liabilities (note 4)	\$ 582,044	\$ -	\$ -	\$ -	\$ 582,044	\$ 320,316
Deferred contributions (note 5)	40,760	-	-	-	40,760	82,691
Interfund payable (receivable)	1,039,325	(1,039,325)	-	-	-	-
	1,662,129	(1,039,325)	-	-	622,804	403,007
Deferred capital contributions (note 6)	47,519	-	-	-	47,519	146,664
Fund balances:						
Internally restricted - capital assets	-	-	-	-	-	14,949
Internally restricted - reserve	1,410	1,597,262	-	723,333	2,322,005	2,922,370
	1,410	1,597,262	-	723,333	2,322,005	2,937,319
Commitments (note 9)						
	\$ 1,711,058	\$ 557,937	\$ -	\$ 723,333	\$ 2,992,328	\$ 3,486,990

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

UNITED WAY WATERLOO REGION COMMUNITIES

Statement of Operations

Year ended March 31, 2018, with comparative information for the 2017

	Operating Fund	Stabilization/ Emergency Fund	Special Initiatives Fund	Tomorrow Fund	Total 2018	Total 2017
Revenue:						
Resource development	\$ 5,307,784	\$ -	\$ -	\$ -	\$ 5,307,784	\$ 6,184,965
Investment income	3,126	9,714	-	32,720	45,560	148,186
Grants	201,981	-	-	-	201,981	242,352
Other (expense)	177,525	-	-	(6,079)	171,446	241,259
Transfers from other United Ways	44,091	-	-	-	44,091	105,931
Amortization of deferred capital contributions (note 6)	99,145	-	-	-	99,145	59,376
Total revenue	5,833,652	9,714	-	26,641	5,870,007	6,982,069
Fundraising expenses (Schedule 1)	1,320,722	-	-	-	1,320,722	1,691,912
Net revenue available for community investment and administration	4,512,930	9,714	-	26,641	4,549,285	5,290,157
Community investment and program (Schedule 2)	5,164,599	-	-	-	5,164,599	6,425,310
Excess (deficiency) of revenue over expenses	\$ (651,669)	\$ 9,714	\$ -	\$ 26,641	\$ (615,314)	\$ (1,135,153)

See accompanying notes to financial statements.

UNITED WAY WATERLOO REGION COMMUNITIES

Statement of Changes in Fund Balances

Year ended March 31, 2018, with comparative information for 2017

	Operating Fund	Stabilization/ Emergency Fund	Special Initiatives Fund	Tomorrow Fund	Total 2018	Total 2017
Fund balances, beginning of year	\$ 13,079	\$ 1,427,548	\$ 800,000	\$ 696,692	\$ 2,937,319	\$ 4,072,472
Excess (deficiency) of revenue over expenses	(651,669)	9,714	-	26,641	(615,314)	(1,135,153)
Interfund transfer (note 7)	640,000	160,000	(800,000)	-	-	-
Fund balances, end of year	\$ 1,410	\$ 1,597,262	\$ -	\$ 723,333	\$ 2,322,005	\$ 2,937,319

See accompanying notes to financial statements.

UNITED WAY WATERLOO REGION COMMUNITIES

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (615,314)	\$(1,135,153)
Items not involving cash:		
Amortization of capital assets	140,282	82,210
Amortization of deferred capital contributions	(99,145)	(59,376)
Change in fair value of investments	(7,171)	(144,934)
Write-off of capital assets	199	200
Changes in non-cash operating working capital		
Accounts receivable	(7,437)	15,091
Prepaid expenses	(2,217)	1,646
Accounts payable and accrued liabilities	261,728	116,047
Deferred contributions	(41,931)	(2,188)
	(371,006)	(1,126,457)
Investing activities:		
Purchase and deposits on capital assets	(21,467)	(30,727)
Net sale of investments	1,588,255	896,400
	1,566,788	865,673
Increase (decrease) in cash	1,195,782	(260,784)
Cash, beginning of year	366,881	627,665
Cash, end of year	\$ 1,562,663	\$ 366,881

See accompanying notes to financial statements.

UNITED WAY WATERLOO REGION COMMUNITIES

Notes to Financial Statements

Year ended March 31, 2018

United Way Waterloo Region Communities ("United Way Waterloo Region Communities or Organization") is dedicated to helping people live better lives in every one of the seven communities we serve. We are fundraisers who engage and mobilize the community around grassroots causes. The funds we raise support a network of 47 agencies whose programs and services deliver community-wide benefits. The Organization is locally focused, informed, connected and deeply invested in helping people reach their full potential in the seven communities that comprise Waterloo Region: Cambridge, Kitchener, Waterloo, Wilmot, Woolwich, Wellesley and North Dumfries.

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

On April 1, 2017, United Way Kitchener-Waterloo and Area and United Way Cambridge and North Dumfries amalgamated to form United Way Waterloo Region Communities.

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 expenses amongst all United Way organizations in Canada and provide a framework for the allocation of expenses. Expenses incurred by the Organization are classified as fundraising, community investment and program, and administrative expenses. Administrative expenses are allocated to fundraising and program expenses based on actual activity.

(a) Revenue recognition:

United Way Waterloo Region Communities 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 WATERLOO REGION COMMUNITIES

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(a) Revenue recognition (continued):

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 expenses 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. 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.

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	Straight-line	5 years
Office equipment	Straight-line	5 years
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.

UNITED WAY WATERLOO REGION COMMUNITIES

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(d) Gifts in kind:

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

(e) Fund accounting:

i) Externally restricted funds:

The Organization has an externally restricted fund, known as the "Tomorrow Fund" where investments are held on account, with generated revenue funding specific programs.

ii) Internally restricted funds:

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 Waterloo Region Communities' community impact work through its fundraising and program expenses, surplus generated is transferred to the SEF. In the event that the SEF is fully reserved, the surplus exceeding the minimum reserve required is then 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. If the SEF is then below the required reserve balance, the SIF will replenish the SEF.

The purpose of the SEF is to provide a reserve from which funds may be transferred in the case of revenue shortfalls. 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 Waterloo Region Communities (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 Waterloo Region Communities (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).

UNITED WAY WATERLOO REGION COMMUNITIES

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(e) Fund accounting (continued):

ii) Internally restricted funds (continued):

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 expenses 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.

(g) Allocated expenses:

United Way Waterloo Region Communities incurs expenses related to operating, marketing and communication that are not directly attributable to one aspect of operations. Administrative expenses are allocated to fundraising and program expenses based on actual activity.

UNITED WAY WATERLOO REGION COMMUNITIES

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(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.

2. Investments:

	2018	2017
Cash	\$ 2,305	\$ 362,790
Fixed income securities	305,515	1,021,298
Canadian equity mutual funds	255,978	622,818
Managed funds held with The Cambridge and North Dumfries Community Foundation	723,333	861,309
	\$ 1,287,131	\$ 2,868,215

The fixed income securities produce a yield of 1.65% to 2.30% (2017 – 1.14% to 2.7%) and mature between October 30, 2018 and May 31, 2020.

UNITED WAY WATERLOO REGION COMMUNITIES

Notes to Financial Statements (continued)

Year ended March 31, 2018

3. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 212,154	\$ 186,832	\$ 25,322	\$ 69,135
Computer software	54,952	54,952	-	8,464
Office equipment	52,822	35,545	17,277	24,161
Leasehold improvements	159,323	159,323	-	59,853
	\$ 479,251	\$ 436,652	\$ 42,599	\$ 161,613

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$nil (2017 - \$5,335) which includes amounts payable for payroll related taxes.

5. Deferred contributions:

	2018	2017
Balance, beginning of year	\$ 82,691	\$ 84,880
Contributions received	39,198	39,167
Amounts recognized into income	(81,129)	(41,356)
Balance, end of year	\$ 40,760	\$ 82,691

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 2017 - 2018 for the following activities:

- Ontario 211 Services
- Not-For-Profit Sector Capacity Building
- In Community-Neighbourhood Initiative

UNITED WAY WATERLOO REGION COMMUNITIES

Notes to Financial Statements (continued)

Year ended March 31, 2018

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.

	2018	2017
Balance, beginning of year	\$ 146,664	\$ 206,040
Amortization of deferred capital contributions	(99,145)	(59,376)
Balance, end of year	\$ 47,519	\$ 146,664

7. Inter-fund transfers:

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 \$640,000 was transferred from the Stabilization/Emergency Fund to the Operating Fund. In addition \$800,000 was transferred from the Special Initiatives Fund to the Stabilization/Emergency Fund as approved by the Board of Directors.

8. Endowment funds:

United Way Waterloo Region Communities entered into an agreement that establishes a permanent endowment fund known as "The United Way Forever 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 the Organization.

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

	2018	2017
Market value	\$ 2,568,468	\$ 2,552,428
Income received	96,200	91,600

UNITED WAY WATERLOO REGION COMMUNITIES

Notes to Financial Statements (continued)

Year ended March 31, 2018

9. Commitments:

The Organization has an operating lease for its premises that expires on June 30, 2020. The lease includes monthly operating costs at an estimated rate of \$30,365 per month.

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

2019	\$	452,112
2020		430,470
2021		91,297
	\$	973,879

10. 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.

	2018	2017
Funds held for specific purposes:		
Internally restricted:		
Stabilization/Emergency Fund	\$ 1,597,262	\$ 1,427,548
Special Initiatives Fund	-	800,000
	\$ 1,597,262	\$ 2,227,548
The Tomorrow Fund:		
Externally restricted	\$ 723,333	\$ 696,692

UNITED WAY WATERLOO REGION COMMUNITIES

Notes to Financial Statements (continued)

Year ended March 31, 2018

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.

(d) Market risk:

Market risk is the risk that changes in market prices, such as equity prices and interest rates will affect United Way Waterloo Region Communities' 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 Waterloo Region Communities' Investment Policy details parameters and goals under which investment decisions are made. The primary objective of the Investment Policy is capital preservation.

UNITED WAY WATERLOO REGION COMMUNITIES

Schedule 1 - Fundraising Expenses

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Fundraising expenses:		
Direct mail and communication	\$ 11,715	\$ 8,376
Leadership recognition	1,348	5,469
Other expenses	12,835	10,065
Salaries, wages and benefits	423,776	739,431
Special events	5,550	59,201
United Way of Canada Affiliation Fees	6,968	50,316
Workplace campaign	50,129	77,416
	512,321	950,274
Allocation of administrative expenses (Schedule 3)	808,401	741,638
Total fundraising expenses	\$ 1,320,722	\$ 1,691,912

UNITED WAY WATERLOO REGION COMMUNITIES

Schedule 2 - Community Investment and Program Expenses

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Community Investment and Program:		
Community allocations	\$ 3,466,466	\$ 4,244,125
Donor designations	152,640	433,244
Project grants	136,724	219,446
Community initiatives	22,862	163,385
Program expenses:		
Salaries, wages and benefits	484,026	517,439
Research	44,463	9,734
Other expenses	13,310	12,294
United Way of Canada Affiliation Fees	35,708	84,006
	4,356,199	5,683,673
Allocation of administrative expenses (Schedule 3)	808,400	741,637
Total community investment and program expenses	\$ 5,164,599	\$ 6,425,310

UNITED WAY WATERLOO REGION COMMUNITIES

Schedule 3 - Administrative Expenses

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Administrative expenses:		
Administrative and office	\$ 84,263	\$ 64,374
Communication and technology	133,478	121,163
Facilities and equipment	321,887	213,021
Marketing and communications	9,348	11,687
Professional fees	19,140	43,627
Salaries, wages and benefits	986,736	913,055
Travel, automobile and community relations	35,116	67,764
Nevada tickets	26,833	48,584
Total administrative expenses	\$ 1,616,801	\$ 1,483,275
Allocation of fundraising expenses (Schedule 1)	(808,401)	(741,638)
Allocation to community investment and program expenses (Schedule 2)	(808,400)	(741,637)
	\$ -	\$ -