Financial Statements of

UNITED WAY WATERLOO REGION COMMUNITIES

And Independent Auditors' Report thereon

Year ended March 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Directors of United Way Waterloo Region Communities:

Opinion

We have audited the financial statements of United Way Waterloo Region Communities (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged With Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada
June 26, 2019

UNITED WAY WATERLOO REGION COMMUNITIES

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	Operating Fund	Stabilization/ Emergency Fund	Special Initiatives Fund	Tomorrow Fund	Total 2019	Total 2018
Assets						
Current assets:						
Cash	$ 172,320	$ -	$ -	$ -	$ 172,320	$ 1,562,663
Investments (note 2)	715,757	1,815,930	-	784,716	3,316,403	1,287,131
Accounts receivable	36,082	-	-	-	36,082	66,003
Prepaid expenses	49,929	-	-	-	49,929	33,932
	974,088	1,815,930	-	784,716	3,574,734	2,949,729
Capital assets (note 3)	75,176	-	-	-	75,176	42,599
	$ 1,049,264	$ 1,815,930	$ -	$ 784,716	$ 3,649,910	$ 2,992,328
Liabilities and Net Assets						
Current liabilities:						
Accounts payable and accrued liabilities (note 4)	$ 558,159	$ -	$ -	$ -	$ 558,159	$ 582,044
Deferred contributions (note 5)	181,263	-	-	-	181,263	40,760
Interfund payable (receivable)	234,666	(234,666)	-	-	-	-
	974,088	(234,666)	-	-	739,422	622,804
Deferred capital contributions (note 6)	26,282	-	-	-	26,282	47,519
Fund balances						
Internally restricted - capital assets	48,894	-	-	-	48,894	-
Internally restricted - reserve	-	2,050,596	-	784,716	2,835,312	2,322,005
	48,894	2,050,596	-	784,716	2,884,206	2,322,005
Commitments (note 9)						
	$ 1,049,264	$ 1,815,930	$ -	$ 784,716	$ 3,649,910	$ 2,992,328

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, 2019, with comparative information for 2018

	Operating Fund	Stabilization/ Emergency Fund	Special Initiatives Fund	Tomorrow Fund	Total 2019	Total 2018
Revenue:						
Resource development	$ 6,284,922	$ -	$ -	$ -	$ 6,284,922	$ 5,307,784
Investment income	10,051	86,138	-	61,383	157,572	45,560
Grants	100,900	-	-	-	100,900	201,981
Other	157,787	-	-	-	157,787	171,446
Transfers from other United Ways	54,272	-	-	-	54,272	44,091
Amortization of deferred capital contributions (note 6)	21,237	-	-	-	21,237	99,145
Total revenue	6,629,169	86,138	-	61,383	6,776,690	5,870,007
Fundraising expenses (Schedule 1)	1,533,859	-	-	-	1,533,859	1,320,722
Net revenue available for community investment and administration	5,095,310	86,138	-	61,383	5,242,831	4,549,285
Community investment and program (Schedule 2)	4,680,630	-	-	-	4,680,630	5,164,599
Excess (deficiency) of revenue over expenses	$ 414,680	$ 86,138	$ -	$ 61,383	$ 562,201	$ (615,314)

See accompanying notes to financial statements.

UNITED WAY WATERLOO REGION COMMUNITIES

Statement of Changes in Fund Balances

Year ended March 31, 2019, with comparative information for 2018

	Operating Fund	Stabilization/ Emergency Fund	Special Initiatives Fund	Tomorrow Fund	Total 2019	Total 2018
Fund balances, beginning of year	$ 1,410	$ 1,597,262	$ -	$ 723,333	$ 2,322,005	$ 2,937,319
Excess (deficiency) of revenue over expenses	414,680	86,138	-	61,383	562,201	(615,314)
Interfund transfers (note 7)	(367,196)	367,196	-	-	-	-
Fund balances, end of year	$ 48,894	$ 2,050,596	$ -	$ 784,716	$ 2,884,206	$ 2,322,005

See accompanying notes to financial statements.

UNITED WAY WATERLOO REGION COMMUNITIES

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ 562,201	$ (615,314)
Items not involving cash:		
Amortization of capital assets	20,124	140,282
Amortization of deferred capital contributions	(21,237)	(99,145)
Change in fair value of investments	(126,843)	(7,171)
Write-off of capital assets	-	199
Changes in non-cash operating working capital:		
Accounts receivable	29,921	(7,437)
Prepaid expenses	(15,997)	(2,217)
Accounts payable and accrued liabilities	(23,885)	261,728
Deferred contributions	140,503	(41,931)
	564,787	(371,006)
Investing activities:		
Purchase of and deposits on capital assets	(52,701)	(21,467)
Net (purchase) sale of investments	(1,902,429)	1,588,255
	(1,955,130)	1,566,788
Increase (decrease) in cash	(1,390,343)	1,195,782
Cash, beginning of year	1,562,663	366,881
Cash, end of year	$ 172,320	$ 1,562,663

See accompanying notes to financial statements.

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.

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.

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.

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).

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.

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:

	2019	2018
Cash	$ 671,161	$ 2,305
Fixed income securities	746,531	305,515
Canadian equity mutual funds	1,113,995	255,978
Managed funds held with The Cambridge and North Dumfries Community Foundation	784,716	723,333
	$ 3,316,403	$ 1,287,131

The fixed income securities produce a yield of 1.90% to 3.42% (2018 - 1.65% to 2.30%) and mature between June 26, 2019 and January 18, 2024.

3. Capital assets:

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Computer equipment	$ 257,013	$ 199,748	$ 57,265	$ 25,322
Office equipment	60,664	42,753	17,911	17,277
	$ 317,677	$ 243,501	$ 75,176	$ 42,599

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $nil (2018 - $5,335) which includes amounts payable for payroll related taxes.

5. Deferred contributions:

	2019	2018
Balance, beginning of year	$ 40,760	$ 82,691
Contributions received	197,204	39,198
Amounts recognized into income	(56,701)	(81,129)
Balance, end of year	$ 181,263	$ 40,760

The use of the funds is restricted to the activities agreed upon by the Organization and donors providing the funding. Grants and other deferred contributions have been provided and used during 2019- 2020 for the following activities:

- Volunteer Action Centre Programs
- In Community-Neighbourhood Initiatives
- Targeted programs (Opioid, Financial Empowerment, Ending Isolation and Supporting Youth)

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.

	2019	2018
Balance, beginning of year	$ 47,519	$ 146,664
Amortization of deferred capital contributions	(21,237)	(99,145)
Balance, end of year	$ 26,282	$ 47,519

7. Interfund transfers:

Transfer to Stabilization Fund from Operating Fund - funds from one-time donation	$ 1,000,000
Transfer to Operating Fund from Stabilization/Emergency Fund - use of one-time donation in operations	(632,804)
	$ 367,196

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 Waterloo Community Foundation. United Way Waterloo Region Communities entered into an additional agreement that establishes a permanent endowment fund with the Cambridge & North Dumfries Community Foundation. Under the terms of the agreements, the capital cannot be withdrawn and only the related income can be paid to the Organization.

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

	2019	2018
Market value	$ 2,907,852	$ 2,568,468
Income received	100,900	96,200

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:

2020	$ 488,374
2021	97,667
2022	1,429
	$ 587,470

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.

	2019	2018
Funds held for specific purposes:		
Internally restricted:		
Stabilization/Emergency Fund	$ 2,050,596	$ 1,597,262
Special Initiatives Fund	-	-
	$ 2,050,596	$ 1,597,262
The Tomorrow Fund:		
Externally restricted	$ 784,716	$ 723,333

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.

11. Financial instruments (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 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, 2019, with comparative information for 2018

	2019	2018
Fundraising expenses:		
Direct mail and communication	$ 86,049	$ 11,715
Leadership recognition	430	1,348
Other expenses	14,373	12,835
Salaries, wages and benefits	711,570	423,776
Special events	611	5,550
United Way of Canada Affiliation Fees	27,081	6,968
Professional fees	5,559	-
Workplace campaign	67,209	50,129
	912,882	512,321
Allocation of administrative expenses (Schedule 3)	620,977	808,401
Total fundraising expenses	$ 1,533,859	$ 1,320,722

UNITED WAY WATERLOO REGION COMMUNITIES

Schedule 2 - Community Investment and Program Expenses

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Community Investment and Program:		
Community allocations	$ 3,440,099	$ 3,466,466
Donor designations	170,499	152,640
Project grants	161,577	136,724
Community initiatives	2,378	22,862
Program expenses:		
Salaries, wages and benefits	228,101	484,026
Research	25,327	44,463
Other expenses	4,591	13,310
United Way of Canada Affiliation Fees	27,081	35,708
	4,059,653	4,356,199
Allocation of administrative expenses (Schedule 3)	620,977	808,400
Total community investment and program expenses	$ 4,680,630	$ 5,164,599

UNITED WAY WATERLOO REGION COMMUNITIES

Schedule 3 - Administrative Expenses

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Administrative expenses:		
Administrative and office	$ 42,171	$ 84,263
Communication and technology	121,958	133,478
Facilities and equipment	313,781	321,887
Marketing and communications	1,439	9,348
Professional fees	26,708	19,140
Salaries, wages and benefits	697,771	986,736
Travel, automobile and community relations	21,943	35,116
Nevada tickets	16,183	26,833
Total administrative expenses	$ 1,241,954	$ 1,616,801
Allocation of fundraising expenses (Schedule 1)	(620,977)	(808,401)
Allocation to community investment and program expenses (Schedule 2)	(620,977)	(808,400)
	$ -	$ -