

Financial statements of

**United Way of London &
Middlesex**

March 31, 2016

United Way of London & Middlesex

March 31, 2016

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Independent Auditor's Report

To the Board of Directors of
United Way of London & Middlesex

We have audited the accompanying financial statements of United Way of London & Middlesex, which comprise the statement of financial position as at March 31, 2016 and the statements of fund revenue and expenses, changes in fund balances, and cash flows for the year then ended, and 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.

Auditor's 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit 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 of London & Middlesex as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants

Licensed Public Accountants

May 31, 2016

United Way of London & Middlesex

Statement of fund revenue and expenses
year ended March 31, 2016

					2016	2015
		Internally restricted				
		Operating Fund	Future Projects Fund	Strategic, Contingency & Stability Fund	Property/Equipment Fund	
		\$		\$	\$	\$
Revenue						
Net donations and grants (Note 6)		9,098,556	-	-	-	9,098,556
Investment income (Note 7)		205,662	-	-	-	205,662
Unrealized (loss) gain on investments		(57,056)	-	-	-	(57,056)
Other income		33,728	-	-	-	33,728
Gross revenue		9,280,890	-	-	-	9,280,890
Community investments (Note 9)						
Community Fund		5,575,000	-	-	-	5,575,000
Donor Directed Funds		675,494	-	-	-	675,494
Strategic investments		395,214	-	61,000	-	456,214
United for refugees		141,840	-	-	-	141,840
United Way community services		777,825	-	-	10,897	788,722
Total investment		7,565,373	-	61,000	10,897	7,637,270
Excess (deficiency) of revenue over community investments		1,715,517	-	(61,000)	(10,897)	1,643,620
Less: fundraising and administrative expenses		1,760,549	-	-	20,237	1,780,786
Excess of (expenses over revenue) revenue over expenses		(45,032)	-	(61,000)	(31,134)	(137,166)
						(107,653)

The accompanying notes to the financial statements are an integral part of this financial statement.

United Way of London & Middlesex

Statement of changes in fund balances
year ended March 31, 2016

	Operating Fund	Internally restricted				Total
		Future Projects Fund	Strategic, Contingency & Stability Fund	Property/ Equipment Fund	Subtotal internally restricted	
		\$	\$	\$	\$	
Balance, March 1, 2014	449,097	261,008	234,144	395,287	890,439	1,339,536
Excess of revenue over expenses (expenses over revenue)	6,281	-	(74,246)	(39,688)	(113,934)	(107,653)
Property and equipment additions	(12,240)	-	-	12,240	12,240	-
Amortization of deferred contributions	(5,094)	-	-	5,094	5,094	-
Transfer between funds (Note 3)	162,000	(162,000)	-	-	(162,000)	-
Balance, March 31, 2015	600,044	99,008	159,898	372,933	631,839	1,231,883
Excess of revenue over expenses (expenses over revenue)	(45,032)	-	(61,000)	(31,134)	(92,134)	(137,166)
Property and equipment additions	(19,834)	-	-	19,834	19,834	-
Amortization of deferred contributions	-	-	-	-	-	-
Transfer between funds (Note 3)	66,000	(66,000)	-	-	(66,000)	-
Balance, March 31, 2016	601,178	33,008	98,898	361,633	493,539	1,094,717

The accompanying notes to the financial statements are an integral part of this financial statement.

United Way of London & Middlesex

Statement of financial position
as at March 31, 2016

	2016	2015
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	1,752,918	1,897,645
Cash and cash equivalents - restricted	174,820	263,582
Short-term investments (Note 8)	1,352,550	1,349,044
Pledges receivable (Note 4)	4,001,395	4,073,931
Sundry receivables/prepays	123,622	32,650
Government remittances receivable	50,024	43,299
	7,455,329	7,660,151
Property and equipment (Note 5)	361,633	372,933
	7,816,962	8,033,084
Liabilities		
Current liabilities		
Accounts payable and accruals (Note 11)	6,035,426	6,034,844
Project funds	174,820	263,582
Designations payable	78,660	89,923
Deferred revenue	433,339	412,852
	6,722,245	6,801,201
Commitments (Note 11)		
Fund balances		
Operating	601,178	600,044
Internally restricted	493,539	631,839
	1,094,717	1,231,883
	7,816,962	8,033,084

Approved by the Board of Directors

Director

Director

The accompanying notes to the financial statements are an integral part of this financial statement.

United Way of London & Middlesex

Statement of cash flows
year ended March 31, 2016

	2016	2015
	\$	\$
Operating activities		
Excess of expenses over revenues	(137,166)	(107,653)
Add items not affecting cash		
Amortization of property and equipment	31,134	39,688
Unrealized loss (gain) on investments	57,056	(99,240)
Amortization of deferred contributions	-	(5,094)
Changes in non-cash operating working capital		
Decrease (increase) in pledges receivable	72,536	(292,165)
(Acrease) decrease in sundry receivables/prepays	(90,972)	46,093
(Acrease) decrease in government remittances receivable	(6,725)	4,453
Increase (decrease) in accounts payable and accruals	582	(430)
(Decrease) in project funds	(88,762)	(242,326)
(Decrease) increase in designations payable	(11,263)	13,197
Increase in deferred revenue	20,487	18,363
	(153,093)	(625,114)
Investing activities		
Property and equipment additions	(19,834)	(12,240)
Acquisition of short-term investments	(60,562)	(48,854)
Decrease in cash and cash equivalents - restricted	88,762	242,326
	8,366	181,232
Decrease in cash and equivalents	(144,727)	(443,882)
Cash and cash equivalents, beginning of year	1,897,645	2,341,527
Cash and cash equivalents, end of year	1,752,918	1,897,645

The accompanying notes to the financial statements are an integral part of this financial statement.

United Way of London & Middlesex

Notes to the financial statements

March 31, 2016

1. Vision and mission of the United Way

United Way of London & Middlesex ("United Way") is incorporated under the laws of Ontario as a corporation without share capital and is a registered charity under the Income Tax Act.

Our vision: A community where everyone matters.

Our mission: We mobilize the power of our community to create lasting change.

2. Significant accounting policies

The financial statements of United Way have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include certain estimates based on management's judgments. These estimates affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In the opinion of management, the financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Campaign proceeds and pledges and campaign expenses

Income from non-designated donations and fund raising is recorded when received. Restricted contributions are deferred and recorded as revenue in the period when the related expense occurs. Pledges are recognized as receivable if the amounts can be reasonably estimated and collectability is reasonably assured. A pledge loss is recorded for estimated uncollectable pledges.

Campaign expenditures are recorded in the period they occur.

Allocation to agencies

Allocations to agencies are recognized as an expense in the year in which the allocations are approved by the Board of Directors, which coincides with the recognition of the revenue from which the allocations are made.

Financial instruments

With respect to financial assets measured at cost or amortized cost, United Way recognizes in net earnings an impairment loss, if any, when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to net earnings in the period the reversal occurs.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from the date of acquisition.

Short-term investments

United Way presents their investments at fair market value as they are liquid and are available for use.

Property and equipment

Purchased assets are recorded at cost and "gifts-in-kind" are recorded at the fair market value at the date of donation.

Amortization expense is realized on a straight-line basis at the following annual rates:

Buildings	2.5%
Equipment	33.3%
Furniture	10.0%

United Way of London & Middlesex

Notes to the financial statements

March 31, 2016

2. Significant accounting policies (continued)

Project funds

Project funds consist of donations and grants that are intended for specified projects.

Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect revenues and expenditures during the reporting periods. These estimates include allowance for doubtful pledges, and amortization of property and equipment in addition to the reported amounts of assets, liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from these estimates.

3. Fund accounting

The financial statements separately disclose the activities of the following funds maintained by United Way of London & Middlesex.

Operating Fund

The Operating Fund represents the excess of revenue over expenditures related to ongoing programs and activities. All agency allocations, strategic investments funded from the annual campaign and United Way agency itself are financed from this fund. During the year, United Way transferred \$66,000 (2015 - \$162,000) from the Future Projects Fund to the operating fund in order to replenish the operating fund.

Property/Equipment Fund

The Property/Equipment Fund represents grants received and funds allocated by United Way for the premises and equipment used in its operations. The balance in this fund represents the net investment in capital assets.

Strategic, Contingency & Stabilization Fund

The Strategic, Contingency & Stabilization Fund represents funds set aside to cover contingencies, such as shortfalls, which may occur in future campaigns, as well as funding new programs to deal with emerging community issues. During the year, United Way transferred \$Nil (2015 - \$Nil) from the Operating Fund to the Strategic, Contingency & Stabilization Fund to replenish the Strategic, Contingency & Stabilization Fund which has not been performed since the March 31, 2010 year.

Future Projects Fund

The Future Projects Fund represents funds set aside for enhancing and strengthening the future development growth of United Way.

United Way of London & Middlesex

Notes to the financial statements

March 31, 2016

4. Pledges receivable

	2016	2015
	\$	\$
Prior year		
Pledges receivable	163,990	326,230
Allowance for doubtful pledges	(20,000)	(20,000)
	143,990	306,230
Current year		
Pledges receivable	4,167,405	4,122,701
Allowance for doubtful pledges	(310,000)	(355,000)
	3,857,405	3,767,701
	4,001,395	4,073,931

5. Property and equipment and deferred contributions

	March 31, 2016		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	70,000	-	70,000
Buildings	571,458	321,526	249,932
Furniture and equipment	395,141	353,440	41,701
	1,036,599	674,966	361,633
	March 31, 2015		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	70,000	-	70,000
Buildings	571,458	307,362	264,096
Furniture and equipment	375,307	336,470	38,837
	1,016,765	643,832	372,933

The land and certain buildings were gifted to United Way in 1976. Property and equipment are amortized over their respective estimated lives. Amortization expense of \$31,134 (2015 - \$39,688) is included in United Way community services and fundraising expense.

Deferred contributions for property and equipment in the amount of \$Nil (2015 - \$5,094) represents the unamortized portion of the contributed buildings.

6. Donations, grants and promotional events

United Way participates in a number of community projects in addition to providing funding for its funded agencies. While funding for these agencies comes mainly from the annual campaign, other sources of funding are solicited for other projects in which we participate. Revenue is recognized in the year where related agency funding is paid or community projects costs have been incurred.

United Way of London & Middlesex

Notes to the financial statements

March 31, 2016

6. Donations, grants and promotional events (continued)

Annual campaign

The revenue reported for the year ended March 31, 2016 reflects the campaign which was held in the fall of 2015. Those dollars raised provide the funding for the allocations that will be paid to funded agencies during the year ended March 31, 2016. The announced campaign achievement includes commitments from individuals and corporations. For a number of reasons, not all pledged donations are ultimately received and a pledge loss results.

Other campaigns

United Way operates a major gift program to solicit and allocate individual gifts (over \$5,000) which are directly allocated to specific programs. United Way also operates a Planned Giving program to encourage bequests to the United Way.

Other programs

United Way also acts as administrator for other programs which are generally funded by various levels of government or community funding organizations. These programs generally have a life span of between six months and three years and focus on specific issues in the community. United Way provides the infrastructure for these programs and can provide management and expertise when required.

Net donations and grants

	2016	2015
	Donations & grants	Donations & grants
	\$	\$
Annual campaign		
Donations	8,463,761	8,571,945
Special events revenue	<u>93,289</u>	<u>97,158</u>
Actual achievement	8,557,050	8,669,103
Subsequent donations	226,482	157,158
Less:		
Pledge loss	(223,469)	(303,644)
Special events expenses	<u>(82,747)</u>	<u>(73,037)</u>
	<u>8,477,316</u>	<u>8,449,580</u>
Other campaigns		
Planned giving	55,964	136,436
United for refugee	<u>159,853</u>	-
	<u>215,817</u>	136,436
Funded projects		
Volunteer projects	25,000	25,000
Other	<u>380,423</u>	<u>577,405</u>
	<u>405,423</u>	<u>602,405</u>
	<u>9,098,556</u>	<u>9,188,421</u>

United Way of London & Middlesex

Notes to the financial statements

March 31, 2016

6. Donations, grants and promotional events (continued)

Promotional events

Several promotional events, such as the Harvest Lunch, and Day of Caring, are held with the intent to raise the profile and to support the objectives of the organization without the intent to raise funds. Total revenue from these events was \$93,289 (2015- \$97,158) offset by expense of \$82,747 (2015 - \$73,037).

Donations received

Funds from other United Way's Centrally Coordinated Campaigns ("CCC") are donations from local workplaces where the head office is located elsewhere, usually in a major city. The United Way in that major area processes the donations and flows them to the local United Way. The below table separates donations processed locally and those processed under the "CCC" agreements.

	2016	2015
	Donations & grants	Donations & grants
	\$	\$
Donations received through		
Donations and grants	7,147,193	7,299,568
United Way of Greater Montreal	11,136	12,578
United Way of Peel Region	4,069	594
United Way of Sault Ste. Marie & District	832	10,860
United Way of Oakville	8,762	9,923
United Way of Winnipeg	588,074	552,982
United Way of York Region	8,126	8,129
United Way Ottawa	171,301	134,322
United Way Toronto	1,156,419	1,134,517
United Way of the Lower Mainland	2,644	-
United Way of Vancouver	-	24,948
	9,098,556	9,188,421

7. London Community Foundation

Forever Fund

The 1997 United Way contributed its endowment fund to the London Community Foundation by way of a "specified gift" as defined by Canada Revenue Agency. The contribution created the "Forever Fund" which received a matching contribution from the Lawson Foundation Challenge Grant program. As a result of this transaction, United Way conveyed legal title over the Fund to the London Community Foundation but has access to the Fund by way of loans to an extent of 25% of the Fund's capital value. In addition, United Way is entitled to the net investment income earned by the Fund, which is used towards community programs.

Net realized gain in the Fund for the calendar year ending December 31, 2015 was \$134,071 (2013 - \$29,496). Unrealized (loss) gain in the Fund was \$(80,002) (2014 - \$30,577) for the calendar year ending December 31, 2015. The current value of the Fund, including the above transfer and investment return to December 31, 2015, approximates \$1,151,796 (2014 - \$1,132,377).

Investment income earned on the fund to December 31, 2015 is \$67,492 (2014 - \$42,423) which was interest income owing to United Way for the year ended December 31, 2015 from the Forever Fund held by the London Community Foundation.

United Way of London & Middlesex

Notes to the financial statements

March 31, 2016

7. London Community Foundation (continued)

Stability Fund

In 2006, the Board approved the creation of “United Way of London & Middlesex Stability Fund”, to be managed by the London Community Foundation. The initial contribution of \$50,000 to the LCF Fund was by way of a “specified gift” as defined by Canada Revenue Agency. As a result of this transaction, United Way conveyed legal title over the Fund to the London Community Foundation but has access to the full value of the Fund in the event of a “hardship” as defined in the agreement. The current value of the Fund at December 31, 2015, approximates \$216,877 (2014 - \$210,734).

8. Short-term investments

Short-term investments consist of the Highstreet balanced pooled fund with a market value of \$1,352,550 (2015 - \$1,349,044) and a book value of \$1,206,402 (2015 – \$1,144,530). The investments are available for redemption on demand.

9. Community investments

Community investments

United Way of London & Middlesex has several distinct streams through which it supports needed human care services and addresses the community’s most urgent social issues. Funding decisions are guided by:

- United Way's Mission, Values and Principles;
- United Way's Ends Policy;
- Community Impact Agenda;
- Ongoing relevant research about community needs, problems and issues;
- Commitment to serve the citizens of both the City of London and the County of Middlesex;
- Availability of resources.

Community Fund

This fund is built up with donations from thousands of donors during the annual campaign. The process for determining funding allocations is through the Planning and Allocations volunteer structure in accordance with the following board established priorities, criteria and financial parameters:

- Provides funding to services that meet ongoing needs through funded agencies.
- Provides funding for ongoing operating expenses and recognizes that there are administrative costs to providing quality, well-managed services.
- Must meet United Way funding criteria.
- Is a contractual relationship through the terms of the United Way/Funded Agency Agreement.

Donor Directed Funds

A donation to United Way is generally allocated to the Community Fund which provides funding for programs and services which are needed in our community. However, when making a donation to the United Way, a donor may direct or designate their donation, or a portion thereof, to any registered Canadian charity.

Strategic investments

In addition to funded agency allocations, the Board of Directors may direct a portion of the annual campaign dollars to new strategic initiatives. These funds may be used to fund new programs, operated by United Way or through an agency, to deal with emerging community issues.

United Way community services

United Way not only provides services through its funded agencies, but also provides support to the community through various activities. This includes research, advocacy and convening community partners to address social issues.

United Way of London & Middlesex

Notes to the financial statements

March 31, 2016

10. Related party transactions

Throughout the year, United Way distributes campaign revenue for other United Way organizations throughout Canada. Total distributions in fiscal 2016 were \$88,776 (2015 - \$57,846).

The United Way is also charged an administration fee by United Way - Canada-Centraide Canada. Total fees charged in 2016 were \$104,766 (2015 - \$88,545).

11. Commitments

The Board of Directors has approved the allocation of \$5,575,000 (2015 - \$5,730,065) to funded agencies in fiscal 2016. The allocation is reported in accounts payable. The agreement provides for changes to the allocated amounts under certain circumstances.

12. Line of credit

The United Way has an authorized line of credit of \$200,000 bearing interest at bank prime + 1% per year. The amount outstanding at March 31, 2016 is \$Nil (2015 - \$Nil). The line of credit is secured by a general security agreement against the assets of the United Way.

13. Financial instruments

Fair value

The fair value of cash, pledges receivable, sundry receivables, accounts payable, accrued liabilities, project funds and designations payable approximates carrying value due to their short-term maturity. Investments are carried at fair value and are based on quoted market prices.

Credit risk

The United Way collects pledges from donors in the normal course of its operations and maintains provisions for pledge losses. Due to the nature of pledges, the United Way is not able to reduce its credit risk.

Interest rate risk

The United Way is exposed to interest rate risk, which is the risk that the fair values or future cash flows associated with its investments will fluctuate due to changes in market interest rates. Management addresses this risk through use of an investment manager to monitor and manage investments.

14. Capital management

The United Way's objectives when managing capital are to develop and maintain a financial model and a capital expenditure process which supports the strategic directions of the United Way, and safeguards the United Way's ability to continue to provide benefits to the community.

The United Way monitors and assesses its financial performance to ensure its capital structure, consisting of net assets, is appropriately maintained. In order to maintain its capital structure, the United Way may engage in additional fundraising or adjust community investments.

The entity is not subject to any externally imposed capital requirements.