

Financial Statements of

**UNITED WAY OF
CHATHAM-KENT**

Year ended December 31, 2017

UNITED WAY OF CHATHAM-KENT

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
United Way of Chatham Kent

I have audited the accompanying financial statements of United Way of Chatham-Kent which comprise the statement of financial position as at December 31, 2017 and the statements of operations, changes in net assets 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on my judgment, including assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, I consider internal controls relevant to the entity's preparation and fair presentation 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of United Way of Chatham-Kent as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-For-Profit Organizations.

Blenheim, Ontario
March 29, 2018

A handwritten signature in black ink that reads 'Christine Muckle Professional Corporation'. The signature is written in a cursive, flowing style.

Christine Muckle Professional Corporation,
Authorized to practice public accounting by
Chartered Professional Accountants of Ontario

UNITED WAY OF CHATHAM-KENT

Statement of Financial Position

Year ended December 31, 2017, with comparative figures for 2016

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 526,470	\$ 733,825
Investments	358,646	337,278
Pledges receivable (less allowance of \$100,000; 2016 - \$100,000)	1,236,133	1,219,524
Other receivables	13,217	12,782
Government remittances receivable	21,883	19,085
Prepaid expenses	3,696	3,617
	<u>2,160,045</u>	<u>2,326,111</u>
Capital assets (note 2)	791,898	788,931
	<u>\$ 2,951,943</u>	<u>\$ 3,115,042</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities		
Undistributed allocation to funded agencies	\$ 613,449	\$ 664,277
Accounts payable and accrued liabilities	85,738	61,489
Payable to other charities	139,436	132,555
Deferred contributions (note 3)	504,884	624,006
Current portion of mortgage payable	23,333	23,333
	<u>1,366,840</u>	<u>1,505,660</u>
Deferred capital contributions	148,459	130,133
Mortgage payable (note 4)	245,000	268,333
Net assets		
Restricted for endowment purposes (note 5)	273,951	248,000
Internally restricted (note 6)	586,305	556,184
Unrestricted	331,388	406,732
	<u>1,191,644</u>	<u>1,210,916</u>
Commitment (note 7)		
	<u>\$ 2,951,943</u>	<u>\$ 3,115,042</u>

See accompanying notes to financial statements.

Approved by the Board:

Director

Director

UNITED WAY OF CHATHAM-KENT

Statement of Operations

Year ended December 31, 2017, with comparative figures for 2016

	2017	2016
Revenue		
Gross campaign revenue		
Corporate gifts	\$ 725,473	\$ 577,249
Employee workplace gifts	658,646	770,261
Individual gifts	256,996	201,103
Special events	37,746	169,812
Other United Ways	8,187	620
Announced campaign revenue	1,687,048	1,719,045
Less:		
Allowance for uncollectible pledges	(100,000)	(100,000)
Recovery of prior year's pledges	54,190	66,587
	1,641,238	1,685,632
Interest revenue	12,357	24,170
Winter Warmth trustee fee	17,500	52,500
Rent	36,961	44,368
Youth Engagement	15,537	-
Prosperity Roundtable	38,207	70,990
ChangetheWorld	25,000	28,539
Chatham-Kent Non-Profit Network	69,698	68,433
United Ways of Ontario fund	30,121	-
Fee for service and other income	24,164	20,696
Total revenue	1,910,783	1,995,328
Expenses		
Fundraising expenses	424,864	423,629
Net revenue available for programs	1,485,919	1,571,699
Program expenses		
Allocations and designations to recipient charities	771,931	818,554
United Way Community Impact Programs	751,265	783,548
	1,523,196	1,602,102
Excess of expenses over revenue	\$ (37,277)	\$ (30,403)

See accompanying notes to financial statements.

UNITED WAY OF CHATHAM-KENT

Statement of Changes in Net Assets

Year ended December 31, 2017, with comparative figures for 2016

	Restricted for Endowment	Internally Restricted	Unrestricted	2017 Total	2016 Total
Balance, beginning of year	\$ 248,000	\$ 556,184	\$ 406,732	\$ 1,210,916	\$ 1,234,169
Excess of revenue over expenses (expenses over revenue)	7,946	-	(45,223)	(37,277)	(30,403)
Endowment contributions	18,005	-	-	18,005	7,150
Internally restricted (note 8)	-	30,121	(30,121)	-	-
	\$ 273,951	\$ 586,305	\$ 331,388	\$ 1,191,644	\$ 1,210,916

UNITED WAY OF CHATHAM-KENT

Statement of Cash Flows

Year ended December 31, 2017, with comparative figures for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Excess of expenses over revenue	\$ (37,277)	\$ (30,403)
Increase (decrease) in:		
Endowment contributions	18,005	7,150
Deferred contributions	(119,122)	(75,176)
Items not involving cash:		
Amortization of capital assets	20,496	19,203
Amortization of deferred capital contributions	(5,137)	(2,862)
Change in non-cash operating working capital	(39,619)	(114,909)
	<u>(162,654)</u>	<u>(196,997)</u>
Investments:		
Purchase of capital assets	(23,463)	(3,737)
Sale (purchase) of investments	(21,368)	91,985
	<u>(44,831)</u>	<u>88,248</u>
Financing:		
Mortgage payments	(23,333)	(23,333)
Deferred capital contributions	23,463	-
	<u>130</u>	<u>(23,333)</u>
Decrease in cash	(207,355)	(132,082)
Cash and cash equivalents, beginning of year	733,825	865,907
Cash and cash equivalents, end of year	<u>\$ 526,470</u>	<u>\$ 733,825</u>

See accompanying notes to financial statements.

UNITED WAY OF CHATHAM-KENT

Notes to Financial Statements

Year ended December 31, 2017

United Way of Chatham-Kent ("United Way") is incorporated without share capital under the laws of Ontario. The Corporation's principal purpose is to develop teamwork among the social, philanthropic and charitable agencies servicing the community and their constituencies in the interest of the financial support of such agencies, and the effective planning and execution of the social service programs of this community. United Way's Mission Statement is "*to improve lives and build community in Chatham-Kent*". The Organization is a registered charity under The Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of The Income Tax Act are met.

1. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations (ASNPO) accounting principles. The significant accounting policies are as follows:

(a) Revenue recognition

The United Way follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted fund contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized.

Endowment contributions are recognized as direct increases in endowment net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Grants are recognized as revenue as the service or program is provided.

(b) Capital assets

Capital assets are stated at cost. Amortization is provided in the declining balance method at the following annual rates:

Building	2.5%
Equipment	20%

(c) Pledges receivable and allocations to participating agencies

Pledges receivable are recorded as an asset in the accounts, net of an allowance for uncollectible amounts. Since the funds to be distributed to the participating agencies in the following year are based on the expected realization of the current year's campaign pledges, the undistributed approved allocation to participating agencies is reflected in the balance sheet as a liability.

(d) Financial instruments classification

Cash is classified as held for trading. Investments are classified as held-to-maturity and are recorded at amortized cost. Pledges receivable, accrued interest receivable and other receivables have been classified as loans and receivables and are reported at amortized cost using effective interest method. Undistributed allocation to funded agencies, accounts payable and accrued liabilities, payable to other charities and mortgage payable have been classified as other and are reported at amortized cost using effective interest method.

UNITED WAY OF CHATHAM-KENT

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued)

(e) Cash and cash equivalents

The United Way considers deposits in banks, and short-term investments with original maturities of three months or less as cash and cash equivalents.

(f) 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.

(g) Use of estimates

The preparation of financial statements in accordance with Canadian Accounting Standards for Not-For-Profit Organizations requires United Way's management to make estimates and assumptions such as the useful life, amortization of assets and the allowance for doubtful pledges, that effect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the year. Actual results could differ from the United Way's best estimates as additional information becomes available in the future. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known.

2. Capital assets

	Cost	Accumulated Amortization	2017 Net	2016 Net
Land	\$ 209,046	\$ -	\$ 209,046	\$ 209,046
Building	628,670	104,193	524,477	537,925
Equipment	260,211	220,336	39,875	23,460
United Way building at CSV	18,500	-	18,500	18,500
	\$ 1,116,427	\$ 324,529	\$ 791,898	\$ 788,931

Amortization expense of \$20,496 (2016 - \$19,203) is included in fundraising and United Way community impact programs expenses.

3. Deferred contributions

Deferred contributions related to expenses of future periods represent unspent funds externally restricted grants and donations.

	2017	2016
Balance beginning of year	\$ 624,006	\$ 699,182
Contributions during the year	220,812	321,607
Expenditures	(339,934)	(396,783)
	\$ 504,884	\$ 624,006

UNITED WAY OF CHATHAM-KENT

Notes to Financial Statements (continued)

Year ended December 31, 2017

4. Mortgage payable

The mortgage payable is Prime plus .5%, repayable \$1,944 monthly plus interest, due June 28, 2019. Interest paid on the mortgage in 2017 was \$9,468 (2016- \$9,765).

Principal due on mortgage payable over the next two years is as follows:

2018	\$ 23,333
2019	245,001

5. Net assets held for endowment purposes

The assets held in the fourteen endowment funds are as follows:

	2017	2016
Donations		
Thomas W. Burke memorial fund	\$ 105,000	\$ 100,000
Cameron Carruthers memorial fund	3,948	3,948
Teri Craig memorial fund	1,942	1,942
Megan Bengel memorial fund	17,160	17,160
Laura Bradley memorial fund	632	632
Scott Owen memorial fund	11,277	11,277
Jason Young memorial fund	1,090	1,090
Kirkwood Family fund	13,282	13,282
Hetherington Family fund	10,000	10,000
Shirley Mellow fund	4,397	4,397
Richardson fund	10,000	10,000
McNeill fund	27,231	22,881
Steve & Lorie Baker Family fund	7,500	-
Pratt Family fund	1,155	-
	214,614	196,609
Investment income		
Thomas W. Burke memorial fund	32,116	27,974
Cameron Carruthers memorial fund	2,061	1,897
Teri Craig memorial fund	1,599	1,518
Megan Bengel memorial fund	7,960	7,249
Laura Bradley memorial fund	520	494
Scott Owen memorial fund	1,622	1,154
Jason Young memorial fund	350	305
Kirkwood Family fund	2,777	2,226
Hetherington Family fund	3,211	2,797
Shirley Mellow fund	10	28
Richardson fund	3,211	2,797
McNeill fund	3,900	2,952
	59,337	51,391
	\$ 273,951	\$ 248,000

UNITED WAY OF CHATHAM-KENT

Notes to Financial Statements (continued)

Year ended December 31, 2017

5. Net assets held for endowment purposes (continued)

- (a) The Thomas W. Burke memorial fund is comprised of funds received from Mr. Burke's estate in 1981 and in-memoriam donations plus accumulated investment income. Investment income earned is to be used for Community Impact Grants.
- (b) Cameron Carruthers memorial fund is comprised of in-memoriam donations. Investment income earned is to be used for programs for youth education and counseling on substance abuse.
- (c) The Teri Craig memorial fund is comprised of in-memoriam donations and other fundraising revenue. Investment income earned is to be allocated to local charitable organizations in consultation with family members.
- (d) The Megan Benge memorial fund is comprised of in-memoriam donations. Investment income earned is to be allocated in consultation with family members.
- (e) The Laura Bradley memorial fund is comprised of in-memoriam donations. Investment income earned is to be allocated in consultation with family members.
- (f) The Scott Owen memorial fund is comprised of in-memoriam donations and other fundraising revenue. Investment income earned is to be used for programs for suicide prevention.
- (g) The Jason Young memorial fund is comprised of in-memoriam donations. Investment income earned is to be allocated in consultation with family members.
- (h) The Kirkwood Family fund has been established with donations from the members of the Kirkwood Family, (the CEO's parents). All investment income is to be used to offset the cost of maintenance on the miniature United Way building constructed in the Chatham-Kent Children's Safety Village.
- (i) The Hetherington Family fund has been established with a gift from Michelle Hetherington received from her employer in recognition of her commitment to her community as campaign co-chair in 2003. Investment income earned is to be allocated in consultation with family members.
- (j) The Shirley Mellow fund has been established in memory of the first Executive Director of the Tilbury Information and Help Centre. Investment income earned is to be allocated for youth bursaries in Tilbury.
- (k) The Richardson fund was established with a gift from the James F. Richardson Foundation. Investment income earned is to be used for youth programs.
- (l) The McNeill memorial fund is comprised of in-memoriam donations and other fundraising revenue. Investment income earned is to be allocated in consultation with family members.
- (m) The Steve & Lorie Baker Family fund has been established with a gift from Steve & Lorie Baker. All investment income is to be allocated to the annual United Way campaign.
- (n) The Pratt Family Fund has been established with in-memoriam donations and other gifts. All investment income is to be allocated to the annual United Way campaign.

UNITED WAY OF CHATHAM-KENT

Notes to Financial Statements (continued)

Year ended December 31, 2017

6. Net assets internally restricted

The Board of Directors have internally restricted funds to be used as follows:

	2017	2016
Operating	\$ 105,000	\$ 105,000
Funded agency reserve	234,500	234,500
Capital	75,000	75,000
Community Impact Grants	102,250	102,250
Building fund	69,555	39,434
	\$ 586,305	\$ 556,184

These internally restricted amounts are not available for other purposes without the approval of the Board of Directors.

7. Commitment

The United Way of Chatham-Kent has committed to allocating one-quarter of the total funding approved for 2018 to its member agencies for the first quarter of 2019 (approximately \$152,138).

8. Investment income

	2017	2016
Income on unrestricted resources	\$ 4,211	\$ 12,127
Income on restricted resources held for endowment	8,146	12,043
Total investment income earned	\$ 12,357	\$ 24,170

9. Allocation of general management and administration to fundraising and program expenses

General management and administration expenses are incurred to support functional areas and are allocated to fundraising and program expenses based on the wage cost on a person by person basis, occupancy costs on a square footage basis and other costs on a per employee basis.

	2017	2016
To fundraising expenses	\$ 42,859	\$ 42,498
To program expenses	57,743	58,102
	\$ 100,602	\$ 100,600

Fundraising ratio is the percentage of fundraising costs in campaign revenue.

UNITED WAY OF CHATHAM-KENT

Notes to Financial Statements (continued)

Year ended December 31, 2017

10. Related party transactions

Throughout the year, the United Way distributes campaign revenue to other United Way organizations throughout Ontario. Total distributions in 2017 were \$21,199 (2016 - \$24,429).

Revenue from campaigns that were centrally coordinated by other United Ways was \$139,786 (2016 - \$136,540)

The United Way is also charged an administration fee by United Way – Canada – Centraide Canada. Total fees charged in 2017 were \$16,885 (2016 - \$18,624).

11. Fair value of financial assets and liabilities

Fair value

The fair value of cash, pledges receivable, other receivables, undistributed allocation to funded agencies, accounts payable and accrued liabilities, payable to other charities, deferred contributions and mortgage payable approximate their carrying value due to the immediate or short-term maturity of these financial instruments. Investments are carried at fair value and are based on quoted market prices.

Liquidity risk

Liquidity risk is the risk that the United Way will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The United Way manages its liquidity risk by monitoring its operating requirements. The United Way prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There is no change in risk from 2016.

Credit risk

The United Way collects pledges from donors in the normal course of its operations and maintains a provision for pledge losses. Due to the nature of pledges, the United Way is not able to reduce its credit risk. There is no change in risk from 2016.

Market and interest rate risk

The risks associated with the investments are the risks associated with the securities in which the funds are invested. The value of fixed income securities will generally rise if interest rates fall and fall if interest rates rise. There is no change in risk from 2016.

12. Comparative figures

Certain 2016 comparative figures have been reclassified to conform with the financial presentation adopted for 2017. The changes do not affect prior year earnings.

UNITED WAY OF CHATHAM-KENT

Schedule – Operating Expenses

Year ended December 31, 2017, with comparative figures for 2016

	2017	2016
Salaries	\$ 555,149	\$ 569,187
Benefits	113,979	122,824
Parking and mileage	9,407	9,114
Equipment leases	10,771	9,837
Telephone	13,740	12,617
Advertising	43,878	24,843
Office and computer	24,124	17,660
Campaign supplies	9,581	15,796
Postage	5,215	3,834
Occupancy costs	59,394	67,997
Insurance	10,525	12,818
Printing and photocopying	3,630	5,252
Program purchases	14,786	17,883
Volunteer training and recognition	2,635	2,236
Staff training	11,772	8,560
Meeting expenses	3,291	6,864
Professional fees	15,945	13,810
Bank charges	8,438	7,401
Resource material/membership	2,328	2,112
Technology/social media	8,490	-
Amortization	20,496	19,203
	\$ 947,574	\$ 949,848
Allocated as follows:		
General management and administration	\$ 100,602	\$ 100,600
Fundraising	360,832	358,762
Community Impact Programs		
Community investment and partnership development	152,114	151,032
Volunteer Chatham-Kent	22,697	22,671
Information & Referral Services	106,707	106,534
Foodbank (Tilbury Outreach office)	70,994	70,755
Labour programs & services (Wallaceburg Outreach office)	50,518	53,133
Operation BackPacks	26,848	29,544
The "425" Centre for Community Innovation	56,262	56,817
	\$ 947,574	\$ 949,848
Fundraising expenses		
Share of operating expenses	\$ 360,832	\$ 358,762
Direct fundraising expenses	21,173	22,369
Allocation of general management and administration expenses	42,859	42,498
	\$ 424,864	\$ 423,629

UNITED WAY OF CHATHAM-KENT

Schedule – Program Expenses

Year ended December 31, 2017, with comparative figures for 2016

	2017	2016
Allocations and designations to member agencies		
Aids Support Kent	\$ 8,000	\$ 32,089
Big Brothers Big Sisters of Chatham-Kent	79,200	81,900
Brain Injury Association of Chatham-Kent	14,100	14,325
Canadian Hearing Society	15,000	16,250
Canadian Mental Health Association-Kent	22,000	22,749
Canadian National Institute for the Blind	25,000	28,750
Chatham Block Parent Program	30,100	30,099
Chatham-Kent Family Y.M.C.A.	15,000	14,999
Chatham-Kent Women's Centre	20,000	23,500
Chatham-Kent Student Breakfast Program	24,000	24,750
Chatham-Kent Integrated Children's Services	31,250	32,313
Epilepsy Support Centre	18,000	18,000
Family Service Kent	108,000	111,000
Learning Disabilities Association of Chatham-Kent	74,800	77,350
Restorative Justice	26,400	27,300
Sidestreets Youth Drop-In Centre	15,000	17,500
The Solid Rock Café Youth Centre	33,500	34,625
Victorian Order of Nurses	57,200	59,150
	616,550	666,649
Adjustment of prior year's allocation to member agencies	-	15,000
Allocations and designations to non-member charities	135,041	126,555
Allocation to endowment fund	18,005	7,150
Grants from endowment fund	200	3,200
Community impact grants	2,135	-
	\$ 771,931	\$ 818,554
United Way Community Impact Programs		
Community investment and partnership development	\$ 152,114	\$ 151,032
Volunteer Chatham-Kent	22,697	22,671
Information & referral services	106,707	106,534
Foodbank (Tilbury Outreach office)	70,994	70,755
Labour programs & services (Wallaceburg Outreach office)	50,518	53,133
Operation BackPacks	26,848	29,544
The "425" Centre for Community Innovation	56,262	56,817
Youth Engagement	25,733	7,898
ChangeTheWorld	22,192	28,539
Prosperity Roundtable	30,702	63,540
Chatham-Kent Non-Profit Network	55,898	55,933
Women's Leadership Council	55,972	60,592
United Way of Canada – Centraide Canada dues	16,885	18,264
Other grants	-	194
Total direct program expenses	693,522	725,446
Allocation of general management and administrative expenses	57,743	58,102
	\$ 751,265	\$ 783,548