



UNITED WAY OF CHATHAM-KENT

**INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS**

DECEMBER 31, 2018



Baker Tilly CK, LLP
62 Keil Drive South
Chatham, ON
Canada N7M 3G8

T: 519.351.2024
F: 519.351.8831

chatham@bakertilly.ca
www.bakertilly.ca

INDEPENDENT AUDITOR'S REPORT

To the Directors of
United Way of Chatham-Kent

Opinion

We have audited the financial statements of United Way of Chatham-Kent, which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2018, and its results of its 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization 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.

INDEPENDENT AUDITOR'S REPORT, continued

Emphasis of Matter

We draw attention to Note 18 and Note 19 to the financial statements, which explain that certain comparative information for the year ended December 31, 2017 has been restated. Our opinion is not modified in respect of this matter.

The financial statements for the year ended December 31, 2017 excluding the adjustments that were applied to restate certain comparative information were audited by another auditor who expressed an unmodified opinion on those financial statements on March 29, 2018.

As part of our audit of the financial statements for the year ended December 31, 2018, we also audited the adjustments applied to restate certain comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the financial statements for the year ended December 31, 2017. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT, continued

Auditor's 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 auditor's 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 these 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 organization'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 organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT, continued

- 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.

We 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.

Baker Tilly CK^{LLP}

Chatham, Ontario
April 24, 2019

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

UNITED WAY OF CHATHAM-KENT

FINANCIAL STATEMENTS

DECEMBER 31, 2018



	Page
Statement of Operations	1
Statement of Changes in Net Assets	2
Statement of Financial Position	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 23
Schedule of Expenses	24

UNITED WAY OF CHATHAM-KENT



STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2018

	2018	2017 (note 18)
REVENUES		
Campaign revenue	\$ 1,572,674	\$ 1,687,048
Recovery (loss) of pledges	<u>(113,018)</u>	<u>(45,811)</u>
	1,459,656	1,641,237
 Program and focus area revenues	256,593	223,598
Workshops and conferences	6,231	2,214
Winter Warmth trustee fee	-	17,500
Rent	41,142	36,961
United Ways of Ontario Fund	-	30,121
Interest and investment income (notes 3 and 18)	5,532	4,211
Amortization of deferred capital contributions (note 10)	7,407	5,137
Fee for service and other income	<u>58,547</u>	<u>102,211</u>
	<u>1,835,108</u>	<u>2,063,190</u>
 EXPENDITURES (schedule 1)		
Fundraising expenses (note 16)	512,323	436,085
Program expenses		
Allocations and designations to recipient charities (note 16)	800,397	896,915
United Way community impact programs (note 16)	<u>813,605</u>	<u>775,414</u>
	<u>2,126,325</u>	<u>2,108,414</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (291,217)</u>	<u>\$ (45,224)</u>



UNITED WAY OF CHATHAM-KENT

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2018

	Restricted for endowment (note 11)	Internally restricted (note 12)	Unrestricted	Total 2018	Total 2017 (note 18)
BALANCE, BEGINNING OF YEAR	\$ 273,951	\$ 586,305	\$ 331,388	\$ 1,191,644	\$ 1,210,916
Excess (deficiency) of revenues over expenditures (note 12)	-	(11,595)	(279,622)	(291,217)	(45,224)
Endowment contributions (note 11)	4,825	-	-	4,825	18,005
Endowment disbursements (note 11)	(1,200)	-	-	(1,200)	-
Net investment income on endowments (notes 11 and 18)	(4,943)	-	-	(4,943)	7,947
BALANCE, END OF YEAR	<u>\$ 272,633</u>	<u>\$ 574,710</u>	<u>\$ 51,766</u>	<u>\$ 899,109</u>	<u>\$ 1,191,644</u>

UNITED WAY OF CHATHAM-KENT


STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

	2018	2017 (note 18)
ASSETS		
CURRENT ASSETS		
Cash	\$ 228,111	\$ 526,470
Investments (note 3)	275,750	358,646
Accounts receivable (note 4)	35,252	35,100
Pledges receivable	1,289,163	1,336,133
Allowance for doubtful pledges	(150,000)	(100,000)
Prepaid expenses	20,851	3,696
	<u>1,699,127</u>	<u>2,160,045</u>
TANGIBLE CAPITAL ASSETS (note 5)	<u>789,193</u>	<u>791,898</u>
	<u>\$ 2,488,320</u>	<u>\$ 2,951,943</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 7)	\$ 69,139	\$ 85,738
Undistributed allocated to funded agencies	540,357	613,449
Undistributed allocation to other charities	125,474	139,436
Current portion of mortgage payable (note 8)	244,999	23,333
	<u>979,969</u>	<u>861,956</u>
MORTGAGE PAYABLE (note 8)	-	245,000
DEFERRED CONTRIBUTIONS (note 9)	468,190	504,884
DEFERRED CAPITAL CONTRIBUTIONS (note 10)	141,052	148,459
	<u>1,589,211</u>	<u>1,760,299</u>
RESTRICTED FOR ENDOWMENT (note 11)	272,633	273,951
INTERNALLY RESTRICTED (note 12)	574,710	586,305
UNRESTRICTED	51,766	331,388
	<u>899,109</u>	<u>1,191,644</u>
	<u>\$ 2,488,320</u>	<u>\$ 2,951,943</u>

ON BEHALF OF THE BOARD

 Director

 Director

UNITED WAY OF CHATHAM-KENT

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

	2018	2017 (note 18)
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ (291,217)	\$ (45,224)
Adjustments for		
Amortization	23,117	20,496
Amortization of deferred capital contributions (note 10)	(7,407)	(5,137)
Net investment income (loss) on endowments (note 11)	(4,943)	7,947
Endowment contributions	4,825	18,005
Income (loss) on investments	3,705	-
	(271,920)	(3,913)
Change in non-cash working capital items (note 17)	(60,683)	(158,741)
	<u>(332,603)</u>	<u>(162,654)</u>
INVESTING ACTIVITIES		
Acquisition of investments	(20,810)	(21,368)
Purchase of tangible capital assets	(20,412)	(23,463)
Endowment distributions	(1,200)	-
Withdrawal of investment funds	100,000	-
	<u>57,578</u>	<u>(44,831)</u>
FINANCING ACTIVITIES		
Repayment of mortgage payable	(23,334)	(23,333)
Deferred capital contributions	-	23,463
	<u>(23,334)</u>	<u>130</u>
INCREASE (DECREASE) IN CASH	(298,359)	(207,355)
CASH, BEGINNING OF YEAR	<u>526,470</u>	<u>733,825</u>
CASH, END OF YEAR	<u>\$ 228,111</u>	<u>\$ 526,470</u>

UNITED WAY OF CHATHAM-KENT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. NATURE OF OPERATIONS

United Way of Chatham-Kent was incorporated without share capital under the laws of Ontario. The organization'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 the community. The organization is a registered charity under the Income Tax Act and is exempt from income taxes provided that certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES

The organization applies Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

(a) CASH

Cash may consist of the balances on account with financial institutions and any investments with a term of less than three months.

(b) INVESTMENTS

Investments are recorded at fair value. Unrealized gains and losses as a result of fair value adjustments at year end are included in investment income for the year.

(c) PLEDGES RECEIVABLE AND ALLOCATIONS TO PARTICIPATING AGENCIES

Pledges receivable are recorded as an asset in the statement of financial position, 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 as a liability in the statement of financial position.

UNITED WAY OF CHATHAM-KENT**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2018**

2. SIGNIFICANT ACCOUNTING POLICIES, continued**(d) TANGIBLE CAPITAL ASSETS**

Tangible capital assets are recorded at cost. The organization provides for amortization using the declining balance method at rates designed to amortize the cost of the tangible capital assets over their estimated useful lives. The annual amortization rates are as follows:

Buildings	2.5%
United Way building at CSV	2.5%
Computer equipment	55%
Equipment	20%

Leasehold improvements are not yet ready for use. Accordingly, no amortization is being calculated on these assets.

(e) ENDOWMENTS

Endowments represent restricted contributions subject to externally imposed conditions requiring the resources that have been contributed to be maintained permanently by the United Way of Chatham-Kent, though the constituent assets may change from time to time.

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

Externally restricted net investment income earned on endowments is added to the principal amount of resources held for endowment as either a direct increase or decrease in net assets.

UNITED WAY OF CHATHAM-KENT**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2018**

2. SIGNIFICANT ACCOUNTING POLICIES, continued**(f) INTERNALLY RESTRICTED NET ASSETS**

Internally restricted funds are established as required at the discretion of the board of directors. Increases or decreases in these funds are made by appropriations to or from operations and, where appropriate, upon approval of the board of directors. The internally restricted funds are not available for purposes other than those described below without the approval of the board of directors.

The operating fund is used to hold funding to pay operational costs in the event of the organization being unable to run an annual campaign.

The funded agency reserve fund is used to hold funding for the organization's funded agencies to ensure funding is available to these agencies should the annual campaign fall short of its goal.

The capital fund is used to hold funding for the purchase of tangible capital assets.

The community impact grant fund is used to hold funding for the provision of grants to fund special projects in the community.

The building fund is used to hold funding to fund capital and maintenance projects on the organization's tangible capital assets.

UNITED WAY OF CHATHAM-KENT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(g) REVENUE RECOGNITION

The organization follows the deferral method of accounting for contributions. Externally restricted contributions other than endowment contributions are recognized as revenues in the year in which the related expenses are incurred. 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.

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 incurred. Unrestricted investment income is recognized as revenue when earned. Externally restricted investment income earned on endowments is recognized as a direct increase or decrease in net assets.

Grant income is recognized as revenue as the service or program to which the grant is related is provided.

Contributions relating to tangible capital assets are credited to deferred capital contributions and are recognized as revenue on the same basis as amortization on the related asset is charged against operations.

(h) SEGMENTATION OF EXPENSES

The organization's expenses are segregated into several key program areas in the statement of operations and supporting schedules. These segments are identified and segregated on the basis of the programs operated by the United Way of Chatham-Kent and expenses are allocated to these segments according to the program to which they relate.

(i) CONTRIBUTED MATERIALS AND SERVICES

Contributions of materials are recognized in the financial statements at fair value at the date of contribution, but only when a fair value can be reasonably estimated, when the materials are used in the normal course of operations, and when the materials would otherwise have been purchased. Volunteers contributed a significant number of hours to assist the organization in its service to the community. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

UNITED WAY OF CHATHAM-KENT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(j) FINANCIAL ASSETS AND LIABILITIES

The organization's financial assets consist of cash, investments, and accounts receivable. The organization's financial liabilities consist of accounts payable and accrued liabilities and mortgage payable. The organization initially measures these financial instruments at fair value, except for certain non-arm's length transactions that are measured at the exchange amount.

These financial instruments, with the exception of investments, are subsequently measured at amortized cost and are evaluated for impairment at each statement of financial position date, with the write down recorded in excess (deficiency) of revenues over expenditures. Impairment reversals may occur and the asset can be written up to its original cost. Investments are subsequently measured at fair value. Changes in fair value are recognized in excess (deficiency) of revenues over expenditures.

(k) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions, such as pledges receivable, the allowance for doubtful accounts, the allowance for doubtful pledges, useful life of tangible capital assets and amortization, that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenues and expenditures during the year. Actual results could differ from management'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.

3. INVESTMENTS

	<u>2018</u>	<u>2017</u> <u>(note 18)</u>
Mutual funds	\$ 105,176	\$ 184,325
Managed endowment funds	<u>170,574</u>	<u>174,321</u>
	<u>\$ 275,750</u>	<u>\$ 358,646</u>

During the year, the organization earned \$5,532, (2017 - \$4,211) of unrestricted investment income. This income has been recognized as revenue in the statement of operations.

UNITED WAY OF CHATHAM-KENT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

4. ACCOUNTS RECEIVABLE

	2018	2017 (note 18)
Government remittances receivable	\$ 27,579	\$ 21,883
Other receivables	7,673	13,217
	<u>\$ 35,252</u>	<u>\$ 35,100</u>

5. TANGIBLE CAPITAL ASSETS

	2018		2017 (note 18)	
	Cost	Accumulated amortization	Net	Net
Land	\$ 209,046	\$ -	\$ 209,046	\$ 209,046
Buildings	640,919	117,458	523,461	524,477
United Way building at CSV	18,500	463	18,037	18,500
Computer equipment	5,012	1,378	3,634	-
Equipment	260,574	228,347	32,227	39,875
Leasehold improvements	2,788	-	2,788	-
	<u>\$ 1,136,839</u>	<u>\$ 347,646</u>	<u>\$ 789,193</u>	<u>\$ 791,898</u>

6. BANK INDEBTEDNESS

The organization has available an operating loan in the amount of \$150,000. This credit facility bears interest at the rate of prime and is secured by a general security agreement. At year end, \$nil, (2017 - \$nil) of this operating loan has been used.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017 (note 18)
Trade accounts payable	\$ 17,729	\$ 45,636
Accrued liabilities	51,095	40,102
Government remittances payable	315	-
	<u>\$ 69,139</u>	<u>\$ 85,738</u>

UNITED WAY OF CHATHAM-KENT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

8. MORTGAGE PAYABLE

	<u>2018</u>	<u>2017</u> <u>(note 18)</u>
Mortgage payable in monthly instalments of \$1,944 plus interest at a rate of prime plus 0.5%, secured by a general security agreement, a general assignment of rents, and a collateral mortgage of \$350,000 over certain real property, final payment due June 2019	\$ 244,999	\$ 268,333
Less current portion	<u>244,999</u>	<u>23,333</u>
Due beyond one year	<u>\$ -</u>	<u>\$ 245,000</u>

9. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources that are related to expenditures for subsequent periods. The deferred contribution balance relates to funds received by the organization for the organization's program and focus areas. As the expenses related to these programs are incurred, the balance of the deferred contributions account will be reduced.

	<u>2018</u>	<u>2017</u> <u>(note 18)</u>
Opening balance	\$ 504,884	\$ 624,006
Amount received during the year	219,899	220,812
Expenses in the year	<u>(256,593)</u>	<u>(339,934)</u>
Closing balance	<u>\$ 468,190</u>	<u>\$ 504,884</u>

UNITED WAY OF CHATHAM-KENT**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2018**

10. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions related to tangible capital assets represent the unamortized amount of funds received for the purchase of tangible capital assets. The amortization of capital contributions is recorded in the statement of operations and is recognized into income on the same basis as the amortization of the associated tangible capital assets.

	<u>2018</u>	<u>2017</u> <u>(note 18)</u>
Opening balance	\$ 148,459	\$ 130,133
Amount received during the year	-	23,463
Amount recognized as revenue in the year	<u>(7,407)</u>	<u>(5,137)</u>
Closing balance	<u>\$ 141,052</u>	<u>\$ 148,459</u>

UNITED WAY OF CHATHAM-KENT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

11. NET ASSETS HELD FOR ENDOWMENT PURPOSES

At year end, the organization has fourteen endowment funds. The assets held in these funds are as follows:

Donations:

	2018	2017 (note 18)
Thomas W. Burke memorial fund	\$ 105,000	\$ 105,000
Richardson fund	10,000	10,000
Cameron Carruthers memorial fund	3,948	3,948
Teri Craig memorial fund	1,942	1,942
Megan Bengé 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
McNeill memorial fund	30,556	27,231
Steve and Lorie Baker Family fund	7,500	7,500
Pratt Family fund	2,655	1,155
	<u>\$ 219,439</u>	<u>\$ 214,614</u>

During the year, endowment contributions of \$4,825, (2017 - \$18,005) were made to the organization's endowment funds. During the year, disbursements of \$1,200, (2017 - \$nil) were made from the organization's endowment funds.

UNITED WAY OF CHATHAM-KENT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

11. NET ASSETS HELD FOR ENDOWMENT PURPOSES, continued

	2018	2017 (note 18)
Net investment income (loss):		
Thomas W. Burke memorial fund	\$ 29,697	\$ 32,116
Richardson fund	2,981	3,211
Cameron Carruthers memorial fund	1,970	2,061
Teri Craig memorial fund	1,554	1,599
Megan Benge memorial fund	7,565	7,960
Laura Bradley memorial fund	506	520
Scott Owen memorial fund	1,362	1,622
Jason Young memorial fund	325	350
Kirkwood Family fund	2,471	2,777
Hetherington Family fund	2,981	3,211
Shirley Mellow fund	(292)	10
McNeill memorial fund	2,273	3,900
Steve and Lorie Baker Family fund	(173)	-
Pratt Family fund	(26)	-
	<u>\$ 53,194</u>	<u>\$ 59,337</u>

During the year, the organization earned \$nil, (2017 - \$8,146) of net investment income on externally restricted endowments. This net investment income has been recognized as a direct increase in net assets in the period.

During the year, the organization incurred a net investment loss of \$4,943, (2017 - \$nil) on externally restricted endowments. This net investment loss has been recognized as a direct decrease in net assets in the period.

No income earned on externally restricted endowments has been recognized in the statement of operations in the current or prior year and no amounts have been deferred in either period.

Total endowment value:

	2018	2017 (note 18)
Donations	\$ 219,439	\$ 214,614
Net investment income	<u>53,194</u>	<u>59,337</u>
	<u>\$ 272,633</u>	<u>\$ 273,951</u>

UNITED WAY OF CHATHAM-KENT**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2018**

11. NET ASSETS HELD FOR ENDOWMENT PURPOSES, continued

The Thomas W. Burke memorial fund is comprised of funds received from Mr. Burke's estate in 1981, in-memorium donations, and accumulated net investment income. Investment income earned is to be used for community impact grants.

The Richardson fund was established with a gift from the James F. Richardson Foundation. Investment income earned is to be used for youth programs.

The Cameron Carruthers memorial fund is comprised of in-memorium donations. Investment income earned is to be used for youth education and counselling on substance abuse.

The Teri Craig memorial fund is comprised of in-memorium donations and other fundraising revenue. Investment income earned is to be allocated to local charitable organizations in consultation with family members.

The Megan Benge memorial fund is comprised of in-memorium donations. Investment income earned is to be allocated in consultation with family members.

The Laura Bradley memorial fund is comprised of in-memorium donations. Investment income earned is to be allocated in consultation with family members.

The Scott Owen memorial fund is comprised of in-memorium donations and other fundraising revenue. Investment income earned is to be used for programs for suicide prevention.

The Jason Young memorial fund is comprised of in-memorium donations. Investment income earned is to be allocated in consultation with family members.

The Kirkwood Family fund has been established with donations from the members of the Kirkwood family. All investment income earned 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.

The Hetherington Family fund has been established with a gift from Michelle Hetherington received from her employer in recognition of her commitment to the community as United Way campaign co-chair in 2003. Investment income earned is to be allocated in consultation with family members.

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.

UNITED WAY OF CHATHAM-KENT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

11. NET ASSETS HELD FOR ENDOWMENT PURPOSES, continued

The McNeill memorial fund is comprised of in-memorial donations and other fundraising revenue. Investment income earned is to be allocated in consultation with family members.

The Steve and Lorie Baker Family fund has been established with a gift from Steve and Lorie Baker. Investment income earned is to be allocated to the annual United Way campaign.

The Pratt Family fund has been established with in-memorial donations and other gifts. Investment income earned is to be allocated to the annual United Way campaign.

12. INTERNALLY RESTRICTED NET ASSETS

The board of directors have restricted funds internally to be used as follows:

	<u>2018</u>	<u>2017</u> <u>(note 18)</u>
Operating fund	\$ 105,000	\$ 105,000
Funded agency reserve fund	234,500	234,500
Capital fund	75,000	75,000
Community impact grants fund	90,655	102,250
Building fund	<u>69,555</u>	<u>69,555</u>
	<u>\$ 574,710</u>	<u>\$ 586,305</u>

During the year, community impact grants of \$11,595, (2017 - \$2,135) were distributed from the community impact grants fund at the direction of the board of directors.

UNITED WAY OF CHATHAM-KENT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

13. RELATED PARTY TRANSACTIONS

The United Way of Chatham-Kent is related to other United Way chapters in Canada.

During the year, the organization collected campaign revenue of \$13,718, (2017 - \$21,199) to be distributed to other United Way organizations throughout Ontario. These balances have not yet been paid as of the year end. Accordingly, included in undistributed allocations to other charities is \$13,718, (2017 - \$21,199) payable to related parties.

In the year, the organization earned \$133,123, (2017 - \$139,786) of revenue from campaigns that were centrally coordinated by other United Way organizations.

During the year, the organization paid administrative dues and fees of \$nil, (2017 - \$16,885) to United Way Canada - Centraid Canada.

Management is of the opinion that related party transactions are performed under the same terms and conditions as unrelated parties. Consequently, all related party transactions are measured at the exchange amount.

14. ALLOCATION OF TOTAL EXPENDITURES

	<u>2018</u>	<u>2017</u> <u>(note 18)</u>
General management and administration expenses (note 15)	\$ 209,336	\$ 125,714
Fundraising share of operating expenses (note 16)	401,393	371,092
Direct fundraising expenses (note 16)	33,360	21,173
United Way community impact programs (note 16)	681,839	693,520
Allocations and designations to recipient charities (note 16)	<u>800,397</u>	<u>896,915</u>
	<u>\$ 2,126,325</u>	<u>\$ 2,108,414</u>

UNITED WAY OF CHATHAM-KENT**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2018**

15. ALLOCATION OF GENERAL MANAGEMENT AND ADMINISTRATION 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.

	<u>2018</u>	<u>2017</u> <u>(note 18)</u>
Allocation to fundraising expenses	\$ 77,570	\$ 43,820
Allocation to program expenses	<u>131,766</u>	<u>81,894</u>
	<u>\$ 209,336</u>	<u>\$ 125,714</u>

The fundraising ratio is calculated as the percentage of fundraising costs in campaign revenue.

UNITED WAY OF CHATHAM-KENT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

16. ALLOCATION AND DESIGNATION OF EXPENSES

Allocations and designations to member agencies:

	2018	2017 (note 18)
Aids Support Kent	\$ 2,000	\$ 8,000
Big Brothers Big Sisters of Chatham-Kent	78,817	79,200
Brain Injury Association of Chatham-Kent	14,100	14,100
Canadian Hearing Society	3,750	15,000
Canadian Mental Health Association - Kent	13,670	22,000
Canadian National Institute for the Blind	17,890	25,000
Changing Ways	3,562	-
Chatham Block Parent Program	7,525	30,100
Chatham-Kent Children's Services	31,250	31,250
Chatham-Kent Family Y.M.C.A.	3,750	15,000
Chatham-Kent Student Breakfast Program	13,185	24,000
Chatham-Kent Women's Centre	18,167	20,000
Community Living Chatham-Kent	1,578	-
Epilepsy Southwestern Ontario	17,498	18,000
Family Service Kent	97,170	108,000
Learning Disabilities Association of Chatham-Kent	74,410	74,800
Restorative Justice Chatham-Kent	26,217	26,400
Sidestreets Youth Drop-In Centre	14,805	15,000
The Solid Rock Cafe Youth Centre	33,500	33,500
Victorian Order of Nurses	67,513	57,200
	<u>\$ 540,357</u>	<u>\$ 616,550</u>

Allocations and designations to recipient charities:

	2018	2017 (note 18)
Allocation and designation to member agencies	\$ 540,357	\$ 616,550
Designations to United Way focus areas	121,746	125,184
Allocation and designation to non-member charities	121,874	135,041
Allocation to endowment fund (note 11)	4,825	18,005
Community impact grants distributed (note 12)	11,595	2,135
	<u>\$ 800,397</u>	<u>\$ 896,915</u>

UNITED WAY OF CHATHAM-KENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
16. ALLOCATION AND DESIGNATION OF EXPENSES, continued
Allocations to United Way community impact programs:

	2018	2017 (note 18)
Youth engagement program	\$ 29,797	\$ 25,733
ChangeTheWorld program	-	22,192
Prosperity Roundtable	10	30,702
Chatham-Kent Non-Profit Network	45,689	55,898
Women's Leadership Council	57,162	55,970
United Way dues	-	16,885
Tilbury outreach office foodbank	62,641	70,994
Operation Backpacks	37,237	26,848
Information and referral services	99,879	106,707
Labour programs and services	44,928	50,518
The '425' Centre for Community Innovation	112,426	56,262
Community investment and partnership development	162,375	152,114
Volunteer Chatham-Kent	29,695	22,697
Allocation of management and administration expenses (note 15)	<u>131,766</u>	<u>81,894</u>
	<u><u>\$ 813,605</u></u>	<u><u>\$ 775,414</u></u>

Allocations to fundraising:

	2018	2017 (note 18)
Direct fundraising expenses	\$ 33,360	\$ 21,173
Fundraising share of operating expenses	401,393	371,092
Allocations of management and administration expenses (note 15)	<u>77,570</u>	<u>43,820</u>
	<u><u>\$ 512,323</u></u>	<u><u>\$ 436,085</u></u>

UNITED WAY OF CHATHAM-KENT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

17. CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	2018	2017 (note 18)
Accounts receivable	\$ (152)	\$ (3,232)
Pledges receivable	46,970	(16,609)
Allowance for doubtful pledges	50,000	-
Prepaid expenses	(17,155)	(79)
Accounts payable and accrued liabilities	(16,598)	16,157
Undistributed allocated to funded agencies	(73,092)	(50,828)
Undistributed allocation to other charities	(13,962)	14,972
Deferred contributions	(36,694)	(119,122)
	<u>\$ (60,683)</u>	<u>\$ (158,741)</u>

18. PRIOR PERIOD ADJUSTMENT

The comparative figures have been retroactively restated to reflect an adjustment to the presentation of net investment income earned on externally restricted endowment funds in the previous year. Income had been reported in the statement of operations in the previous year instead of being added directly to the principal amount of resources held for endowment in net assets. This adjustment resulted in the organization's excess (deficiency) of revenues over expenses increasing by \$7,947 from a loss of \$37,277 before the adjustment to a loss of \$45,224 after the adjustment. This adjustment had no impact on net assets.

19. COMPARATIVE FIGURES

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 were reported on by another Chartered Professional Accountant who issued an unqualified opinion in their report dated March 29, 2018.

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. These reclassification adjustments had an impact on the allocation of management and administrative expenses compared to the previous year, but had no impact on net assets.

20. COMMITMENTS

As at December 31, 2018, the organization has outstanding commitments of approximately \$93,972 with respect to operating leases for equipment and computer subscriptions. These commitments expire between 2019 and 2024. Minimum future lease payments required over the next five years are as follows:

UNITED WAY OF CHATHAM-KENT**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2018****20. COMMITMENTS, continued**

2019	\$ 27,191
2020	22,322
2021	15,441
2022	15,441
2023	<u>12,169</u>
	<u>\$ 92,564</u>

The United Way of Chatham-Kent has committed to allocating one quarter of the total funding approved for 2019 to its member agencies for the first quarter of 2020 in the approximate amount of \$128,740, (2017 - \$152,138).

21. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments. In management's opinion, there have been no changes in the organization's risks during the year.

(a) MARKET RISK

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the market. These risks are generally outside of the control of the organization. In management's opinion, the organization is not exposed to significant market risk.

(b) FAIR VALUE

The fair value of current financial assets, with the exception of investments, and current financial liabilities approximates their carrying value due to their short-term maturity dates. Investments are carried at fair value which is determined based on quoted market prices at year end. The fair value of long-term financial liabilities approximates their carrying value based on the presumption that the organization is a going concern and thus expects to fully repay the outstanding amounts.

UNITED WAY OF CHATHAM-KENT**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2018**

21. FINANCIAL INSTRUMENTS, continued**(c) CREDIT RISK**

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The organization is exposed to credit risk in the event of non-payment by donors for their pledges receivable. Due to the nature of pledges receivable, the organization is limited in its ability to reduce credit risk. However, an allowance for pledge losses is created by the organization, when applicable, to assist in managing credit risk.

(d) LIQUIDITY RISK

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities as they become due. The organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due, regularly monitoring the organization's operating requirements, and preparing budget and cash forecasts to ensure that sufficient funds are available to fulfill its obligations. In management's opinion, the organization is not exposed to significant liquidity risk.

(e) INTEREST RATE RISK

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This exposure may have an effect on earnings in future periods. The organization is exposed to interest rate risk on its investments and mortgage payable. The organization reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates and diversifying its investment portfolio. The organization does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management, the interest rate risk exposure to the organization is low and is not material.

UNITED WAY OF CHATHAM-KENT
SCHEDULE TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
SCHEDULE OF EXPENSES
Schedule 1

	2018	2017 (note 18)
Advertising and promotion	\$ 29,219	\$ 44,289
Amortization	23,117	20,496
Bad debts	4,846	-
Bank charges and interest	5,055	8,438
Benefits	138,116	130,003
Campaign supplies	9,388	9,581
Direct fundraising expenses (note 16)	33,360	21,173
Dues and fees	-	16,885
Equipment lease	12,188	10,935
Insurance	5,674	12,135
Interest on long-term debt	10,529	9,468
Meeting expenses	11,178	6,752
Occupancy costs	83,699	82,727
Office and computer supplies	31,606	24,867
Other expenses	2,395	1,130
Postage	2,286	5,215
Printing and photocopying	5,952	6,236
Professional fees	17,738	15,945
Program expenses	88,332	71,475
Repairs and maintenance	19,389	-
Resource materials and memberships	1,195	2,515
Staff and donor recognition	5,801	195
Staff training	22,888	18,742
Technology and social media	11,845	10,611
Telephone	15,125	13,740
Travel and mileage	9,851	15,315
Volunteer recognition and training	6,521	3,174
Wages and salaries	718,635	649,457
Allocation and designation to member agencies (note 16)	540,357	616,550
Allocation and designation to non-member charities (note 16)	121,874	135,041
Allocation to endowment fund (notes 11 and 16)	4,825	18,005
Community impact grants distributed (notes 12 and 16)	11,595	2,135
Designations to United Way focus areas (note 16)	121,746	125,184
	<u>\$ 2,126,325</u>	<u>\$ 2,108,414</u>