



Financial Statements of

UNITED WAY OF SARNIA - LAMBTON

December 31, 2016



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BDO Canada LLP
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Independent Auditors' Report

To the Directors of United Way of Sarnia - Lambton

We have audited the accompanying financial statements of **United Way of Sarnia - Lambton** which comprise the balance sheet as at December 31, 2016 and the statements of operating revenues and expenditures, 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.

Auditors' Responsibility

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

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

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

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Basis for Qualified Opinion

In common with many not-for-profit organizations, the United Way of Sarnia-Lambton derives revenue from fundraising activities the completeness of which is not susceptible of satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of United Way of Sarnia-Lambton. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenditures, and cash flows from operations for the years ended December 31, 2016 and 2015, current assets as at December 31, 2016 and 2015, and net assets as at January 1 and December 31 for both the 2016 and 2015 years. Our audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of United Way of Sarnia - Lambton as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

The financial statements of United Way of Sarnia - Lambton for the year-ended December 31, 2016 were audited by the firm Hazlitt Steeves Harris Dunn LLP whose practice now operates under BDO Canada LLP and who expressed a qualified opinion on those statements on March 30, 2016.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario
March 28, 2017

UNITED WAY OF SARNIA - LAMBTON

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UNITED WAY OF SARNIA - LAMBTON

Balance Sheet

As at December 31, 2016

	<u>General Fund</u>	<u>Future Fund</u>	<u>2016</u>	<u>2015</u>
ASSETS				
CURRENT				
Cash	\$ 613,339	\$ 314,013	\$ 927,352	\$ 271,371
Accounts receivable	19,233	1,901	21,134	67,099
Pledges receivable	543,575	-	543,575	740,168
Inventory	12,320	-	12,320	12,320
Investments (Note 4)	1,630,049	260,000	1,890,049	2,135,235
Due from Future Fund (Note 5)	144,233	-	144,233	82,697
	2,962,749	575,914	3,538,663	3,308,890
CASH SURRENDER VALUE OF LIFE INSURANCE				
	-	92,138	92,138	-
INVESTMENTS (Note 4)	35,027	1,536,366	1,571,393	1,680,048
EQUIPMENT AND LEASEHOLDS (Note 6)	13,768	-	13,768	16,982
	\$ 3,011,544	\$ 2,204,418	\$ 5,215,962	\$ 5,005,920
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	\$ 52,124	\$ -	\$ 52,124	\$ 45,590
Due to General Fund (Note 5)	-	144,233	144,233	82,697
Deferred revenue (Note 7)	2,383,265	-	2,383,265	2,609,656
	2,435,389	144,233	2,579,622	2,737,943
NET ASSETS	576,155	2,060,185	2,636,340	2,267,977
	\$ 3,011,544	\$ 2,204,418	\$ 5,215,962	\$ 5,005,920

APPROVED BY THE BOARD



 _____ Director



 _____ Director

UNITED WAY OF SARNIA - LAMBTON

Statement of Operating Revenues and Expenditures

For the year ended December 31, 2016

	General Fund	Future Fund	2016	2015
REVENUES				
Local campaign	\$ 1,925,944	\$ -	\$ 1,925,944	\$ 1,851,440
Funds transferred from other United Way Centres	230,983	-	230,983	316,589
Funds transferred to other United Way Centres	(665)	-	(665)	(920)
Gross campaign	2,156,262	-	2,156,262	2,167,109
Less: Uncollectable pledges and other adjustments	(13,415)	-	(13,415)	(9,784)
Net revenues from prior year campaign	2,142,847	-	2,142,847	2,157,325
Other income (expenses)				
Winter Warmth	32,561	-	32,561	39,190
Investment	28,726	20,787	49,513	82,248
Day of caring	5,750	-	5,750	4,750
Memorial donations	1,110	17,689	18,799	62,607
Imperial art auction	-	77,760	77,760	47,680
Life insurance policy donation	-	92,138	92,138	-
Bingo	10,855	-	10,855	6,442
Other campaign activities	24,758	-	24,758	8,369
Insurance premiums and office expenses	-	(12,026)	(12,026)	-
	2,246,607	196,348	2,442,955	2,408,611
Fundraising expenditures (Schedule 2)	355,659	-	355,659	352,000
Net revenue available for program allocations	1,890,948	196,348	2,087,296	2,056,611
Program expenditures (Schedule 3)	1,773,054	-	1,773,054	1,927,676
EXCESS OF REVENUES OVER EXPENDITURES	\$ 117,894	\$ 196,348	\$ 314,242	\$ 128,935

UNITED WAY OF SARNIA - LAMBTON

Statement Of Changes in Net Assets

For The Year Ended December 31, 2016

	<u>General Fund</u>	<u>Future Fund</u>	<u>2016</u>	<u>2015</u>
Fund balance, beginning of year	\$ 399,261	\$ 1,868,716	\$ 2,267,977	\$ 2,163,370
Excess of revenues over expenditures	117,894	196,348	314,242	128,935
Unrealized gain (loss) on investments (Note 2)	-	54,121	54,121	(24,328)
Inter-fund transfers (Note 5)	59,000	(59,000)	-	-
Fund balance, end of year	\$ 576,155	\$ 2,060,185	\$ 2,636,340	\$ 2,267,977

UNITED WAY OF SARNIA - LAMBTON

Statement of Cash Flows

For the year ended December 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 314,242	\$ 128,935
Amortization, not affecting cash	6,395	5,712
	320,637	134,647
Changes in non-cash operating working capital items		
Accounts receivable	45,965	47,668
Pledges receivable	196,593	53,679
Accounts payable and accrued liabilities	6,534	7,669
Deferred revenue	(226,391)	48,356
	343,338	292,019
INVESTING ACTIVITIES		
Net purchase of investments	407,962	(416,636)
Acquisition of equipment	(3,181)	(8,084)
Cash surrender value of life insurance	(92,138)	-
	312,643	(424,720)
NET CHANGE IN CASH POSITION	655,981	(132,701)
Cash position, beginning of year	271,371	404,072
CASH POSITION, END OF YEAR	\$ 927,352	\$ 271,371

UNITED WAY OF SARNIA - LAMBTON

Notes to the Financial Statements

For the year ended December 31, 2016

1. STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

The United Way of Sarnia - Lambton was incorporated under the laws of the Province of Ontario. It has been granted tax exempt status as a registered charity and is classified as a charitable organization under section 149 and 149.1 of the Income Tax Act, Canada. The organization is engaged in raising and distributing of funds to charitable programs in Sarnia-Lambton.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for profit organizations and include the following significant accounting policies:

Basis of presentation

The organization follows the restricted fund method of accounting for contributions. Under these principles, resources for various purposes are classified in accordance with activities or objectives specified.

General Fund

The General Fund accounts for the organization's program delivery and administration activities. This fund reports unrestricted resources and restricted operating grants.

Future Fund

This fund reports internally restricted funds as directed by the Board of Directors to be invested in which income earned and capital may be used for agency allocations.

Investments

Investments are recorded at fair market value (see Note 4).

Revenue recognition

Contributions, including grants and donations, are recognized as revenue of the appropriate fund. Contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledges receivable of \$543,575 (2015 - \$740,168) are recorded as deferred revenue when the organization is advised of the pledge. The pledge is then recorded as revenue in the year the pledge was intended to support and when the funds have been collected.

Investment income earned is recognized as revenue of the fund to which that income relates.

UNITED WAY OF SARNIA - LAMBTON

Notes to the Financial Statements

For the year ended December 31, 2016

2. ACCOUNTING POLICIES – continued

Equipment and leaseholds

Equipment and leaseholds are recorded at cost. Amortization is computed using the following annual rates and methods:

Office furniture	20%	diminishing-balance
Office equipment	30%	diminishing-balance
Computer equipment	30%	diminishing-balance
Leasehold inducements	20%	diminishing-balance

Donated services

A substantial number of unpaid volunteers have made significant contributions of their time in the furtherance of the United Way of Sarnia – Lambton. The value of this contributed time is not included in these financial statements.

Allocation of expenses

The organization engages in fundraising and program projects and costs directly related to each project are allocated directly to the corresponding project. Costs not directly related to each project are allocated as per Schedule 4. The organization also incurs a number of general and administrative expenditures associated with the governing and operating of the organization that are allocated 68% to fundraising and 32% to program (see Schedule 1).

Management estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

3. FINANCIAL INSTRUMENTS

The organization has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include interest rate risk and credit risk.

Interest rate risk

The organization manages its interest rate risk by having a fixed interest rate on its investments.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization monitors its accounts receivable regularly and establishes allowances for doubtful accounts as needed.

UNITED WAY OF SARNIA - LAMBTON

Notes to the Financial Statements

For the year ended December 31, 2016

4. INVESTMENTS

	<u>2016</u>	<u>2015</u>
<i>Current investments</i>		
General Fund		
Guaranteed investment certificates, 0.95% to 1.85% interest due dates ranging from April 7, 2017 – August 8, 2017	\$ 1,385,000	\$ 1,750,000
Callable corporate bond, 4.38% interest callable March 2, 2017 due March 2, 2022 (cost \$250,027; 2015 - \$nil)	245,049	-
High interest savings account	-	150,235
Future Fund		
Guaranteed investment certificate, 2.75% interest due December 7, 2016	260,000	235,000
	<u>\$ 1,890,049</u>	<u>\$ 2,135,235</u>
<i>Long-term investments</i>		
General Fund		
Common shares (cost \$30,045; 2015 - \$54,198)	\$ 35,027	\$ 54,230
Future Fund		
Guaranteed investment certificates, 2.50% interest due December 7, 2017	-	260,000
Marketable securities (cost \$1,506,573; 2015 - \$1,390,146)	1,536,366	1,365,818
	<u>1,571,393</u>	<u>1,680,048</u>
	<u>\$ 3,461,442</u>	<u>\$ 3,815,283</u>

The investments have been recorded at fair market value. The fair market value of the guaranteed investment certificates and high interest savings account the same as their fair market value.

5. DUE TO (FROM) GENERAL FUND AND FUTURE FUND

The balance due to (from) General Fund and Future Fund is non-interest bearing, unsecured and is due on demand.

During the year the Board of Directors approved the restriction of \$187,587 (2015 – \$110,287) of donations in the Future Fund.

During the year, the Board of Directors approved the transfer of \$59,000 (2015 - \$30,000) to the General Fund from the Future Fund. The amount transferred represents the interest earned on the Future Fund's investments that is used to offset some of the administration costs incurred by the United Way of Sarnia – Lambton.

UNITED WAY OF SARNIA - LAMBTON

Notes to the Financial Statements

For the year ended December 31, 2016

6. EQUIPMENT AND LEASEHOLDS

	2016			2015
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office furniture	\$ 18,194	\$ 16,333	\$ 1,861	\$ 2,326
Office equipment	40,358	35,063	5,295	6,619
Computer equipment	112,826	106,768	6,058	7,344
Leasehold improvements	7,171	6,617	554	693
	<u>\$ 178,549</u>	<u>\$ 164,781</u>	<u>\$ 13,768</u>	<u>\$ 16,982</u>

7. DEFERRED REVENUE

	2016	2015
Donor option	\$ 14,875	\$ 184,381
Fall 2015 campaign	-	1,993,427
Fall 2016 campaign	2,065,131	419,528
Fall 2017 campaign	290,939	-
Artwork	12,320	12,320
	<u>\$ 2,383,265</u>	<u>\$ 2,609,656</u>

8. COMMITMENTS

The organization leases a photocopier and also the premises where it is located. In addition, the organization has entered into funding agreements with member agencies.

The total minimum payments over the next three years are as follows:

2017	\$ 1,425,591
2018	\$ 1,405,785
2019	\$ 330,912

9. BEQUEST

During the year the organization was advised that it would receive a bequest on settlement of the benefactor's estate. Under the terms of the will, the organization is to receive 10% of the residue of the estate.

During the year, \$NIL (2015 - \$50,000) was received during the year but there are still further amounts to come in 2017. The value of the residue could not be reasonably determined so no remaining amount has been recorded as revenue in the current year.

UNITED WAY OF SARNIA - LAMBTON**Schedule 1****General and Administrative Expenditures**

For the year ended December 31, 2016

	<u>2016</u>	<u>2015</u>
Amortization	\$ 6,395	\$ 5,712
Bank and payroll charges	6,474	5,888
Computer supplies and subscriptions	4,884	6,914
Conference and travel	1,712	3,300
Equipment rentals	7,125	5,421
Insurance	3,087	6,223
Meetings	49	50
Mileage	2,000	2,974
Office supplies	3,697	6,271
Postage	4,997	4,957
Printing	430	816
Professional fees	3,361	9,240
Rent	10,236	26,727
Salaries and employee benefits	166,219	161,283
Telephone	2,470	2,295
Training	186	457
Volunteer appreciation	340	251
<hr/>		
Total general and administrative expenditures before allocation	223,662	248,779
Allocation to fundraising expenditures (Schedule 2)	(152,090)	(169,170)
Allocation to program expenditures (Schedule 3)	(71,572)	(79,609)
<hr/>		
	\$ -	\$ -

Fundraising Expenditures

For the year ended December 31, 2016

	<u>2016</u>	<u>2015</u>
Advertising and subscriptions	\$ 1,374	\$ 2,487
Computer supplies	3,809	5,393
Conference and travel	1,314	2,532
Equipment rentals	6,670	5,075
Insurance	3,087	-
Meetings	29	30
Mileage	1,360	2,022
Printing	1,033	1,959
Professional fees	3,361	-
Rent	10,236	-
Salaries and benefits	148,646	144,231
Special events	6,220	5,241
Supplies	13,901	11,350
Telephone	2,195	2,040
Training	130	320
Volunteer appreciation	204	150
Total direct fundraising expenditures	203,569	182,830
Allocation of general and administrative expenditures (Schedule 1)	152,090	169,170
	\$ 355,659	\$ 352,000

UNITED WAY OF SARNIA - LAMBTON**Schedule 3****Program Expenditures**

For the year ended December 31, 2016

	<u>2016</u>	<u>2015</u>
Allocation to non-member agencies	\$ 168,098	\$ 167,779
Community investments	1,384,792	1,523,929
Day of caring	5,811	4,750
Dental program	13,406	27,596
Drug strategy	-	1,577
Insurance	1,950	-
Prescription drugs	10,657	9,778
Professional fees	1,680	-
Rent	6,465	
Salary and other	56,896	56,946
United Way of Canada - Centraide Canada dues	19,902	17,512
Winter Warmth	31,825	38,200
Total direct program expenditures	1,701,482	1,848,067
Allocation of general and administrative expenditures (Schedule 1)	71,572	79,609
	\$ 1,773,054	\$ 1,927,676

Allocation of Expenditures

For the year ended December 31, 2016

	<u>General and Administrative Expenditures</u>	<u>Fundraising Expenditures</u>	<u>Program Expenditures</u>
Computer supplies and subscriptions	50.00%	39.00%	11.00%
Conference and travel	53.75%	41.25%	5.00%
Equipment rentals	47.00%	44.00%	9.00%
Insurance	38.00%	38.00%	24.00%
Meetings	50.00%	30.00%	20.00%
Mileage	50.00%	34.00%	16.00%
Office supplies	50.00%	35.00%	15.00%
Printing costs	25.00%	60.00%	15.00%
Professional fees	40.00%	40.00%	20.00%
Rent	38.00%	38.00%	24.00%
Salaries and employee benefits	45.40%	40.60%	14.00%
Telephone	45.00%	40.00%	15.00%
Training	50.00%	35.00%	15.00%
Volunteer appreciation	50.00%	30.00%	20.00%