

Financial Statements of

UNITED WAY OF SARNIA - LAMBTON

December 31, 2017



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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, 2017 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, 2017 and 2016, current assets as at December 31, 2017 and 2016, and net assets as at January 1 and December 31 for both the 2017 and 2016 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, 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario
March 28, 2018

UNITED WAY OF SARNIA - LAMBTION

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UNITED WAY OF SARNIA - LAMBTON

Balance Sheet


As at December 31, 2017

	<u>General Fund</u>	<u>Future Fund</u>	<u>2017</u>	<u>2016</u> (Restated) (Note 10)
ASSETS				
CURRENT				
Cash	\$ 722,461	\$ 43,845	\$ 766,306	\$ 927,352
Accounts receivable	9,226	3,542	12,768	21,134
Pledges receivable	558,746	-	558,746	543,575
Inventory	12,320	-	12,320	12,320
Investments (Note 4)	1,596,870	-	1,596,870	1,890,049
Due from General Fund (Note 5)	-	29,634	29,634	-
Due from Future Fund (Note 5)	-	-	-	144,233
	2,899,623	77,021	2,976,644	3,538,663
CASH SURRENDER VALUE OF				
LIFE INSURANCE	-	10,500	10,500	-
INVESTMENTS (Note 4)	17,333	2,198,453	2,215,786	1,571,393
EQUIPMENT AND LEASEHOLDS (Note 6)	11,159	-	11,159	13,768
	\$ 2,928,115	\$ 2,285,974	\$ 5,214,089	\$ 5,123,824
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	\$ 128,325	\$ -	\$ 128,325	\$ 52,124
Due to General Fund (Note 5)	-	-	-	144,233
Due to Future Fund (Note 5)	29,634	-	29,634	-
Deferred revenue (Note 7)	2,150,775	-	2,150,775	2,383,265
	2,308,734	-	2,308,734	2,579,622
NET ASSETS (Note 10)	619,381	2,285,974	2,905,355	2,544,202
	\$ 2,928,115	\$ 2,285,974	\$ 5,214,089	\$ 5,123,824

APPROVED BY THE BOARD



 _____ Director



 _____ Director

UNITED WAY OF SARNIA - LAMBTON

Statement of Operating Revenues and Expenditures

For the year ended December 31, 2017

	<u>General Fund</u>	<u>Future Fund</u>	<u>2017</u>	<u>2016</u> (Restated) (Note 10)
REVENUES				
Local campaign	\$ 1,778,065	\$ -	\$ 1,778,065	\$ 1,925,944
Funds transferred from other United Way Centres	330,230	-	330,230	230,983
Funds transferred to other United Way Centres	(2,206)	-	(2,206)	(665)
Gross campaign	2,106,089	-	2,106,089	2,156,262
Less: Uncollectable pledges and other adjustments	(9,222)	-	(9,222)	(13,415)
Net revenues from prior year campaign	2,096,867	-	2,096,867	2,142,847
Other income (expenses)				
Winter Warmth	-	-	-	32,561
Investment	24,528	82,980	107,508	49,513
Day of caring	3,788	-	3,788	5,750
Memorial donations	-	3,310	3,310	18,799
Imperial art auction	-	-	-	77,760
United Way of Ontario	-	42,685	42,685	-
Life insurance policy in-kind donation	-	251,059	251,059	92,138
Bingo	14,087	-	14,087	10,855
Other campaign activities	32,966	-	32,966	24,758
Future Fund (Schedule 4)	-	(275,767)	(275,767)	(104,164)
	2,172,236	104,267	2,276,503	2,350,817
Fundraising expenditures (Schedule 2)	338,747	-	338,747	355,659
Net revenue available for program allocations	1,833,489	104,267	1,937,756	1,995,158
Program expenditures (Schedule 3)	1,714,621	-	1,714,621	1,773,054
EXCESS OF REVENUES OVER EXPENDITURES	\$ 118,868	\$ 104,267	\$ 223,135	\$ 222,104

UNITED WAY OF SARNIA - LAMBTON

Statement Of Changes in Net Assets

For The Year Ended December 31, 2017

	<u>General Fund</u>	<u>Future Fund</u>	<u>2017</u>	<u>2016</u> (Restated) (Note 10)
Fund balance, beginning of year	\$ 576,155	\$ 1,968,047	\$ 2,544,202	\$2,267,977
Excess of revenues over expenditures	118,868	104,267	223,135	222,104
Unrealized gain on investments (Note 2)	66,641	71,377	138,018	54,121
Inter-fund transfers (Note 5)	(142,283)	142,283	-	-
Fund balance, end of year	\$ 619,381	\$ 2,285,974	\$ 2,905,355	\$2,544,202

UNITED WAY OF SARNIA - LAMBTON

Statement of Cash Flows

For the year ended December 31, 2017

	<u>2017</u>	<u>2016</u> (Restated) (Note 10)
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 223,135	\$ 222,104
Amortization, not affecting cash	5,222	6,395
	228,357	228,499
Changes in non-cash operating working capital items		
Accounts receivable	8,366	45,965
Pledges receivable	(15,171)	196,593
Accounts payable and accrued liabilities	76,201	6,534
Deferred revenue	(232,490)	(226,391)
	65,263	251,200
INVESTING ACTIVITIES		
Net purchase of investments	(213,196)	407,962
Cash surrender value of life insurance	(10,500)	-
Acquisition of equipment	(2,613)	(3,181)
	(226,309)	404,781
NET CHANGE IN CASH POSITION	(161,046)	655,981
Cash position, beginning of year	927,352	271,371
CASH POSITION, END OF YEAR	\$ 766,306	\$ 927,352

UNITED WAY OF SARNIA - LAMBTON

Notes to the Financial Statements

For the year ended December 31, 2017

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 \$558,746 (2016 - \$543,575) 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, 2017

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 5. 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, 2017

4. INVESTMENTS

	<u>2017</u>	<u>2016</u>
<i>Current investments</i>		
General Fund		
Guaranteed investment certificates, 1.00% to 1.60% interest due dates ranging from February 6, 2018 – December 3, 2018	\$ 529,972	\$ 1,385,000
Callable corporate bond, 4.38% interest callable March 2, 2017 due March 2, 2022 (cost \$nil; 2016 - \$250,027)	-	245,049
Marketable securities (cost \$999,995; 2016 - \$nil)	1,066,898	-
Future Fund		
Guaranteed investment certificate, 2.75% interest due December 7, 2017	-	260,000
	<u>\$ 1,596,870</u>	<u>\$ 1,890,049</u>
<i>Long-term investments</i>		
General Fund		
Common shares (cost \$17,595; 2016 - \$30,045)	\$ 17,333	\$ 35,027
Future Fund		
Marketable securities (cost \$2,097,282; 2016 - \$1,506,573)	2,198,453	1,536,366
	<u>2,215,786</u>	<u>1,571,393</u>
	<u>\$ 3,812,656</u>	<u>\$ 3,461,442</u>

The investments have been recorded at fair market value. The fair market value of the guaranteed investment certificates are the same as their cost 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 \$327,103 (2016 – \$187,587) of donations in the Future Fund. The Board of Directors also approved the transfer of \$144,233 (2016 - \$nil) to the Future Fund from the General Fund. The amount transferred represents the balance owing from the Future Fund to the General Fund as of December 31, 2016.

During the year, the Board of Directors approved transfers totaling \$32,000 (2016 - \$59,000) 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, 2017

6. EQUIPMENT AND LEASEHOLDS

	2017			2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office furniture	\$ 18,194	\$ 16,706	\$ 1,488	\$ 1,861
Office equipment	40,373	36,123	4,250	5,295
Computer equipment	115,424	110,446	4,978	6,058
Leasehold improvements	7,171	6,728	443	554
	<u>\$ 181,162</u>	<u>\$ 170,003</u>	<u>\$ 11,159</u>	<u>\$ 13,768</u>

7. DEFERRED REVENUE

	2017	2016
Donor option	\$ -	\$ 14,875
Fall 2016 campaign	-	2,065,131
Fall 2017 campaign	1,995,815	290,939
Fall 2018 campaign	142,640	-
Artwork	12,320	12,320
	<u>\$ 2,150,775</u>	<u>\$ 2,383,265</u>

8. COMMITMENTS

The organization leases a photocopier and 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 four years are as follows:

2018	\$ 1,413,062
2019	\$ 353,167
2020	\$ 7,583
2021	\$ 7,583

9. BEQUEST

In previous years, 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. 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

Notes to the Financial Statements

For the year ended December 31, 2017

10. PRIOR PERIOD ADJUSTMENT

During the preparation of the current year financial statements an error that effected the prior years financial statements was determined. The financial statements for the years ended December 31, 2016 has been restated to adjust for the following:

- correction of the cash surrender value on a life insurance donation during 2016

As a result of the prior period adjustment, cash surrender value of life insurance of \$92,138 for the year-ended December 31, 2016 has been restated to \$nil, donations in-kind of \$nil for the year ended December 31, 2016 has been restated to \$92,138 and the excess of revenue over expenditure of \$314,242 has been restated to \$222,104.

The effect on opening net assets is as follows:

	<u>2017</u>	<u>2016</u>
Net assets, beginning of the year		
As previously reported	\$ 2,636,340	\$ 2,267,977
Prior period adjustment		
Correction of cash surrender value for 2016	(92,138)	-
As restated	<u>\$ 2,544,202</u>	<u>\$ 2,267,977</u>

11. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the presentation of the current year.

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

For the year ended December 31, 2017

	<u>2017</u>	<u>2016</u>
Amortization	\$ 5,222	\$ 6,395
Bank and payroll charges	6,099	6,474
Computer supplies and subscriptions	5,170	4,884
Conference and travel	2,903	1,712
Equipment rentals	3,929	7,125
Insurance	2,009	3,087
Meetings	184	49
Mileage	4,195	2,000
Office supplies	3,233	3,697
Postage	5,273	4,997
Printing	708	430
Professional fees	4,550	3,361
Rent	12,629	10,236
Salaries and employee benefits	171,045	166,219
Telephone	2,347	2,470
Training	33	186
Volunteer appreciation	500	340
<hr/>		
Total general and administrative expenditures before allocation	230,029	223,662
Allocation to fundraising expenditures (Schedule 2)	(156,420)	(152,090)
Allocation to program expenditures (Schedule 3)	(73,609)	(71,572)
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	\$ -	\$ -
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UNITED WAY OF SARNIA - LAMBTON**Schedule 2****Fundraising Expenditures**

For the year ended December 31, 2017

	<u>2017</u>	<u>2016</u>
Advertising and subscriptions	\$ 1,452	\$ 1,374
Computer supplies	3,102	3,809
Conference and travel	2,230	1,314
Equipment rentals	2,842	6,670
Insurance	1,480	3,087
Meetings	110	29
Mileage	2,851	1,360
Printing	1,416	1,033
Professional fees	-	3,361
Rent	9,306	10,236
Salaries and benefits	144,296	148,646
Special events	2,423	6,220
Supplies	8,931	13,901
Telephone	1,565	2,195
Training	23	130
Volunteer appreciation	300	204
Total direct fundraising expenditures	182,327	203,569
Allocation of general and administrative expenditures (Schedule 1)	156,420	152,090
	\$ 338,747	\$ 355,659

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

For the year ended December 31, 2017

	<u>2017</u>	<u>2016</u>
Allocation to non-member agencies	\$ 118,366	\$ 168,098
Community investments	1,405,298	1,384,792
Day of caring	3,788	5,811
Dental program	14,080	13,406
Insurance	1,269	1,950
Prescription drugs	8,989	10,657
Professional fees	2,259	1,680
Rent	7,976	6,465
Salary and other	58,707	56,896
United Way of Canada - Centraide Canada dues	20,280	19,902
Winter Warmth	-	31,825
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Total direct program expenditures	1,641,012	1,701,482
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Allocation of general and administrative expenditures (Schedule 1)	73,609	71,572
	<u>\$ 1,714,621</u>	<u>\$ 1,773,054</u>

UNITED WAY OF SARNIA - LAMBTON**Schedule 4****Future Fund Expenditures**

For the year ended December 31, 2017

	<u>2017</u>	<u>2016</u>
Bank and payroll charges	\$ 678	\$ -
Computer supplies and subscriptions	5,355	756
Conference and travel	1,164	3,138
Equipment rentals	836	-
Insurance	529	-
Life insurance in-kind donations	226,920	92,138
Life insurance premiums	19,651	8,042
Mileage	1,037	90
Office supplies	647	-
Postage	586	-
Printing	283	-
Professional fees	5,571	-
Rent	3,323	-
Salaries	8,665	-
Telephone	522	-
	<hr/>	<hr/>
	\$ 275,767	\$ 104,164

Allocation of Expenditures

For the year ended December 31, 2017

	General and Administrative Expenditures	Fundraising Expenditures	Program Expenditures	Future Fund
Bank and payroll charges	90.00%	0.00%	0.00%	10.00%
Computer supplies and subscriptions	35.00%	21.00%	7.75%	36.25%
Conference and travel	44.25%	34.00%	4.00%	17.75%
Equipment rentals	47.00%	34.00%	9.00%	10.00%
Insurance	38.00%	28.00%	24.00%	10.00%
Meetings	50.00%	30.00%	20.00%	0.00%
Mileage	44.50%	30.25%	14.25%	11.00%
Office supplies	50.00%	25.00%	15.00%	10.00%
Postage	90.00%	0.00%	0.00%	10.00%
Printing costs	25.00%	50.00%	15.00%	10.00%
Professional fees	36.75%	0.00%	18.25%	45.00%
Rent	38.00%	28.00%	24.00%	10.00%
Salaries and employee benefits	45.40%	38.30%	14.00%	2.30%
Telephone	45.00%	30.00%	15.00%	10.00%
Training	50.00%	35.00%	15.00%	0.00%
Volunteer appreciation	50.00%	30.00%	20.00%	0.00%