

*Financial Statements of*

**UNITED WAY OF SARNIA - LAMBTON**

*December 31, 2018*



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## Independent Auditors' Report

### To the Directors of United Way of Sarnia - Lambton

#### *Qualified Opinion*

We have audited the accompanying financial statements of the **United Way of Sarnia-Lambton** (the Entity), which comprise the statement of financial position as at December 31, 2018, and the statements of operating revenues and expenditures, 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### *Basis for Qualified Opinion*

In common with many not-for-profit organizations, the Entity derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity. Therefore, we were not able to determine whether any adjustments might be necessary to local fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and net assets as at January 1 and December 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

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 Entity 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 qualified audit opinion.

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*Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

*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 Entity'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 Entity'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 Entity to cease to continue as a going concern.

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- 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.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario  
March 27, 2019

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# UNITED WAY OF SARNIA - LAMBTION

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For the year ended December 31, 2018

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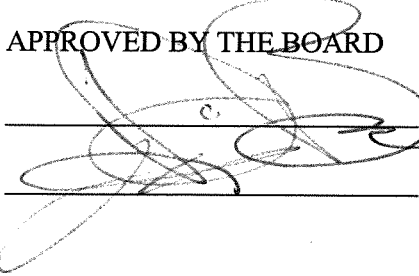
# UNITED WAY OF SARNIA - LAMBTON

## Statement of Financial Position

As at December 31, 2018

	<u>General Fund</u>	<u>Future Fund</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>				
<b>CURRENT</b>				
Cash	\$ 962,443	\$ 28,752	\$ 991,195	\$ 766,306
Accounts receivable	7,761	3,980	11,741	12,768
Pledges receivable	762,312	-	762,312	558,746
Inventory	1,810	-	1,810	12,320
Investments (Note 4)	1,233,674	-	1,233,674	1,596,870
Due from General Fund (Note 5)	-	-	-	29,634
Due from Future Fund (Note 5)	18,318	-	18,318	-
	<b>2,986,318</b>	<b>32,732</b>	<b>3,019,050</b>	<b>2,976,644</b>
<b>CASH SURRENDER VALUE OF</b>				
LIFE INSURANCE	-	10,500	10,500	10,500
INVESTMENTS (Note 4)	-	2,176,290	2,176,290	2,215,786
EQUIPMENT AND LEASEHOLDS (Note 6)	11,248	-	11,248	11,159
	<b>\$ 2,997,566</b>	<b>\$ 2,219,522</b>	<b>\$ 5,217,088</b>	<b>\$ 5,214,089</b>
<b>LIABILITIES</b>				
<b>CURRENT</b>				
Accounts payable and accrued liabilities	\$ 121,737	\$ -	\$ 121,737	\$ 128,325
Due to General Fund (Note 5)	-	18,318	18,318	-
Due to Future Fund (Note 5)	-	-	-	29,634
Deferred revenue (Note 7)	2,100,271	-	2,100,271	2,150,775
	<b>2,222,008</b>	<b>18,318</b>	<b>2,240,326</b>	<b>2,308,734</b>
<b>NET ASSETS</b>	<b>775,558</b>	<b>2,201,204</b>	<b>2,976,762</b>	<b>2,905,355</b>
	<b>\$ 2,997,566</b>	<b>\$ 2,219,522</b>	<b>\$ 5,217,088</b>	<b>\$ 5,214,089</b>

APPROVED BY THE BOARD

 Director

Director

**UNITED WAY OF SARNIA - LAMBTON**  
**Statement of Operating Revenues and Expenditures**  
For the year ended December 31, 2018

	<u>General Fund</u>	<u>Future Fund</u>	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>				
Local campaign	\$ 1,831,972	\$ -	\$ 1,831,972	\$ 1,778,065
Funds transferred from other United Way Centres	278,101	-	278,101	330,230
Funds transferred to other United Way Centres	(1,111)	-	(1,111)	(2,206)
Gross campaign	2,108,962	-	2,108,962	2,106,089
Less: Uncollectable pledges and other adjustments	(14,336)	-	(14,336)	(9,222)
Net revenues from prior year campaign	2,094,626	-	2,094,626	2,096,867
Other income (expenses)				
Investment	52,568	49,570	102,138	107,508
Day of caring	4,500	-	4,500	3,788
Memorial donations	-	24,242	24,242	3,310
United Way of Ontario	-	7,150	7,150	42,685
Life insurance policy in-kind donation	-	-	-	251,059
Bingo	19,622	-	19,622	14,087
Other campaign activities	22,994	-	22,994	32,966
Future Fund (Schedule 4)	-	(48,721)	(48,721)	(275,767)
	2,194,310	32,241	2,226,551	2,276,503
Fundraising expenditures (Schedule 2)	356,918	-	356,918	338,747
Net revenue available for program allocations	1,837,392	32,241	1,869,633	1,937,756
Program expenditures (Schedule 3)	1,720,053	-	1,720,053	1,714,621
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ 117,339</b>	<b>\$ 32,241</b>	<b>\$ 149,580</b>	<b>\$ 223,135</b>

# UNITED WAY OF SARNIA - LAMBTON

## Statement Of Changes in Net Assets

For The Year Ended December 31, 2018

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	<u>General Fund</u>	<u>Future Fund</u>	<u>2018</u>	<u>2017</u>
Fund balance, beginning of year	\$ 619,381	\$ 2,285,974	\$ 2,905,355	\$2,544,202
Excess of revenues over expenditures	117,339	32,241	149,580	223,135
Unrealized gain (loss) on investments (Note 2)	(7,566)	(70,607)	(78,173)	138,018
Inter-fund transfers (Note 5)	46,404	(46,404)	-	-
Fund balance, end of year	\$ 775,558	\$ 2,201,204	\$ 2,976,762	\$2,905,355

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# UNITED WAY OF SARNIA - LAMBTON

## Statement of Cash Flows

For the year ended December 31, 2018

	<u>2018</u>	<u>2017</u>
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenditures	\$ 149,580	\$ 223,135
Amortization, not affecting cash	4,149	5,222
	<b>153,729</b>	228,357
Changes in non-cash operating working capital items		
Accounts receivable	1,027	8,366
Inventory	10,510	-
Pledges receivable	(203,566)	(15,171)
Accounts payable and accrued liabilities	(6,588)	76,201
Deferred revenue	(50,504)	(232,490)
	<b>(95,392)</b>	65,263
<b>INVESTING ACTIVITIES</b>		
Net (purchases) proceeds of investments	324,519	(213,196)
Cash surrender value of life insurance	-	(10,500)
Acquisition of equipment	(4,238)	(2,613)
	<b>320,281</b>	(226,309)
<b>NET CHANGE IN CASH POSITION</b>	<b>224,889</b>	(161,046)
Cash position, beginning of year	766,306	927,352
<b>CASH POSITION, END OF YEAR</b>	<b>\$ 991,195</b>	\$ 766,306

# UNITED WAY OF SARNIA - LAMBTON

## Notes to the Financial Statements

For the year ended December 31, 2018

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### 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 \$762,312 (2017 - \$558,746) 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, 2018

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### 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, 2018

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### 4. INVESTMENTS

	<u>2018</u>	<u>2017</u>
<i>Current investments</i>		
General Fund		
Guaranteed investment certificates at 1.60% interest due February 2019	\$ 175,000	\$ 529,972
Marketable securities (cost \$999,600; 2017 – 999,995)	<u>1,058,674</u>	<u>1,066,898</u>
	<u>\$ 1,233,674</u>	<u>\$ 1,596,870</u>
<i>Long-term investments</i>		
General Fund		
Common shares (cost \$nil; 2017 - \$17,595)	\$ -	\$ 17,333
Future Fund		
Marketable securities (cost \$2,145,727; 2017 - \$2,097,282)	<u>2,176,290</u>	<u>2,198,453</u>
	<u>2,176,290</u>	<u>2,215,786</u>
	<u>\$ 3,409,964</u>	<u>\$ 3,812,656</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 \$19,150 (2017 – \$327,103) of donations in the Future Fund. The Board of Directors also approved the transfer of \$nil (2017 - \$144,233) to the Future Fund from the General Fund. The amount transferred in the prior year 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 \$64,000 (2017 - \$32,000) 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, 2018

### 6. EQUIPMENT AND LEASEHOLDS

	2018			2017
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office furniture	\$ 19,026	\$ 17,087	\$ 1,939	\$ 1,488
Office equipment	43,779	37,314	6,465	4,250
Computer equipment	115,424	112,936	2,488	4,978
Leasehold improvements	7,171	6,815	356	443
	<u>\$ 185,400</u>	<u>\$ 174,152</u>	<u>\$ 11,248</u>	<u>\$ 11,159</u>

### 7. DEFERRED REVENUE

	2018	2017
Fall 2017 campaign	\$ -	\$ 1,995,815
Fall 2018 campaign	1,932,533	142,640
Fall 2019 campaign	165,928	-
Artwork	1,810	12,320
	<u>\$ 2,100,271</u>	<u>\$ 2,150,775</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 five years are as follows:

2019	\$ 386,180
2020	\$ 29,399
2021	\$ 29,399
2022	\$ 21,816
2023	\$ 21,816

### 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****Schedule 1****General and Administrative Expenditures**

For the year ended December 31, 2018

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	<u>2018</u>	<u>2017</u>
Amortization	\$ 4,149	\$ 5,222
Bank and payroll charges	7,313	6,099
Computer supplies and subscriptions	3,464	5,170
Conference and travel	2,790	2,903
Equipment rentals	3,702	3,929
Insurance	3,860	2,009
Meetings	194	184
Mileage	3,942	4,195
Office supplies	2,074	3,233
Postage	7,026	5,273
Printing	582	708
Professional fees	3,267	4,550
Rent	15,113	12,629
Salaries and employee benefits	173,738	171,045
Telephone	2,430	2,347
Training	355	33
Volunteer appreciation	822	500
<hr/>		
Total general and administrative expenditures before allocation	234,821	230,029
Allocation to fundraising expenditures (Schedule 2)	(159,678)	(156,420)
Allocation to program expenditures (Schedule 3)	(75,143)	(73,609)
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	\$ -	\$ -

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**UNITED WAY OF SARNIA - LAMBTON****Schedule 2****Fundraising Expenditures**

For the year ended December 31, 2018

	<u>2018</u>	<u>2017</u>
Computer supplies and subscriptions	\$ 2,078	\$ 3,102
Conference and travel	2,143	2,230
Equipment rentals	2,678	2,842
Insurance	2,844	1,480
Media subscriptions	7,616	1,452
Meetings	116	110
Mileage	2,680	2,851
Printing	1,165	1,416
Rent	11,136	9,306
Salaries and benefits	146,567	144,296
Special events	6,686	2,423
Supplies	9,169	8,931
Telephone	1,620	1,565
Training	249	23
Volunteer appreciation	493	300
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Total direct fundraising expenditures	197,240	182,327
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Allocation of general and administrative expenditures (Schedule 1)	159,678	156,420
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	\$ 356,918	\$ 338,747
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**UNITED WAY OF SARNIA - LAMBTON****Schedule 3****Program Expenditures**

For the year ended December 31, 2018

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	<u>2018</u>	<u>2017</u>
Allocation to non-member agencies	\$ 99,016	\$ 118,366
Community investments	1,416,704	1,405,298
Day of caring	4,279	3,788
Dental program	17,587	14,080
Insurance	2,438	1,269
Prescription drugs	7,405	8,989
Professional fees	1,623	2,259
Rent	9,545	7,976
Salary and other	58,859	58,707
Strategic partnerships	6,860	-
United Way of Canada - Centraide Canada dues	20,594	20,280
<hr/>		
Total direct program expenditures	1,644,910	1,641,012
Allocation of general and administrative expenditures (Schedule 1)	75,143	73,609
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	\$ 1,720,053	\$ 1,714,621

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

For the year ended December 31, 2018

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	<u>2018</u>	<u>2017</u>
Bank and payroll charges	\$ 813	\$ 678
Computer supplies and subscriptions	3,588	5,355
Conference and travel	1,119	1,164
Equipment rentals	788	836
Insurance	1,016	529
Life insurance in-kind donations	-	226,920
Life insurance premiums	21,674	19,651
Mileage	974	1,037
Office supplies	415	647
Postage	781	586
Printing	233	283
Professional fees	4,001	5,571
Rent	3,977	3,323
Salaries	8,802	8,665
Telephone	540	522
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	\$ 48,721	\$ 275,767

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**Allocation of Expenditures**

For the year ended December 31, 2018

	<u>General and Administrative Expenditures</u>	<u>Fundraising Expenditures</u>	<u>Program Expenditures</u>	<u>Future Fund</u>
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%