

Financial Statements of

**UNITED WAY OF
LEEDS AND GRENVILLE**

Year ended December 31, 2011

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of United Way of Leeds and Grenville

We have audited the accompanying financial statements of United Way of Leeds and Grenville, which comprise the statement of financial position as at December 31, 2011 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 of 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 control 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, United Way of Leeds and Grenville derives campaign contributions revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of campaign contributions revenue was limited to the amounts recorded in the records of United Way of Leeds and Grenville. Therefore, we were not able to determine whether any adjustments might be necessary to campaign contributions revenue, excess of revenue over expenses, and cash flows from operations for the year ended December 31, 2011 and current assets and unrestricted net assets as at December 31, 2011.

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 Leeds and Grenville as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Bennett Lewis McMahon Stillar

Chartered Accountants, Licensed Public Accountants

March 20, 2012
Brockville, Canada

UNITED WAY OF LEEDS AND GRENVILLE

Statement of Operations

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
		(Restated - note 2)
Revenue:		
Campaign contributions	\$ 1,016,734	\$ 979,664
Funds received from other United Ways	60,321	-
Recovery of (allowance for) uncollected pledges	(8,349)	2,914
Net campaign contributions	1,068,706	982,578
Collaborative immigration project (note 6)	129,714	60,717
Nevada ticket sales, net of cash prizes	55,765	69,940
Grants for salaries and benefits	22,444	19,858
Interest	11,070	12,313
Expense recoveries	13,999	9,510
Gifts in Kind Centre	7,207	15,454
Rent	9,792	11,750
Programs	8,319	-
Donations for youth programs (note 5)	1,370	3,818
Amortization of deferred contributions related to capital assets	4,131	4,109
	1,332,517	1,190,047
Expenses:		
Allocations to agency and non-agency members	675,080	701,268
Collaborative immigration project (note 6)	119,415	60,717
Programs (schedule A)	241,857	226,179
Campaign (schedule B)	126,188	110,769
Building (schedule C)	19,513	16,060
Nevada tickets (schedule C)	37,055	46,381
	1,219,108	1,161,374
Excess of revenue over expenses	\$ 113,409	\$ 28,673

See accompanying notes to financial statements.

UNITED WAY OF LEEDS AND GRENVILLE

Statement of Changes in Net Assets

Year ended December 31, 2011, with comparative figures for 2010

	Investment in capital assets	Internally restricted	Externally restricted endowment	Unrestricted	2011 Total	2010 Total
Balance, beginning of year: as previously reported	\$ 152,353	\$ 227,095	\$ -	\$ 37,540	\$ 416,988	\$ 376,702
adjustment arising from change in accounting policy (note 2)	-	-	-	871,851	871,851	883,464
as restated	152,353	227,095	-	909,391	1,288,839	1,260,166
Excess (deficiency) of revenue over expenses (notes 8 and 9)	(8,934)	8,989	-	113,354	113,409	28,673
Net change in investment in capital assets (note 8)	529	-	-	(529)	-	-
Transfer between funds (note 9)	-	2,545	-	(2,545)	-	-
Endowment contribution	-	-	10,000	-	10,000	-
Balance, end of year	\$ 143,948	\$ 238,629	\$ 10,000	\$1,019,671	\$1,412,248	\$1,288,839

See accompanying notes to financial statements.

UNITED WAY OF LEEDS AND GRENVILLE

Statement of Cash Flows

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
		(Restated - note 2)
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses	\$ 113,409	\$ 28,673
Items not involving cash:		
Recognition of deferred externally restricted donations	(1,370)	(18,818)
Amortization of deferred contributions related to capital assets	(4,131)	(4,109)
Amortization of capital assets	13,065	13,713
	120,973	19,459
Decrease (increase) in campaign pledges receivable	131,987	(134,053)
Increase in other receivables	(25,061)	(7,313)
Decrease (increase) in accrued interest receivable	1,079	(1,235)
Increase in prepaid expenses	(1,310)	(3,488)
Increase in accounts payable and accrued liabilities	1,148	16,389
Decrease in allocations payable to agency members	(1,436)	(727)
Increase in deferred externally restricted donations	2,552	2,261
Increase (decrease) in deferred collaborative immigration project	(33,339)	59,100
	196,593	(49,607)
Financing and investing activities:		
Interest reinvested in guaranteed investment certificates	(1,718)	(1,672)
Decrease in investments	370,000	-
Additions to capital assets	(529)	(8,698)
Contributions used for additions to capital assets	-	258
Endowment contribution received	10,000	-
	377,753	(10,112)
Increase (decrease) in cash	574,346	(59,719)
Cash, beginning of year	280,357	340,076
Cash, end of year	\$ 854,703	\$ 280,357

See accompanying notes to financial statements.

UNITED WAY OF LEEDS AND GRENVILLE

Notes to Financial Statements

Year ended December 31, 2011

The United Way of Leeds and Grenville ("United Way") is a not-for-profit organization and, pursuant to letters patent dated October 27, 1998, is incorporated without share capital under the Ontario Corporations Act. Its mission is to improve lives and build community by engaging individuals and mobilizing collective action. The United Way's primary source of revenue is the annual campaign to solicit donations on behalf of agency members.

The United Way is registered as a charitable organization under the Income Tax Act (Canada) (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the United Way must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

1. Summary of significant accounting policies:

(a) General:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Recognition of revenue:

The United Way follows the deferral method of accounting for contributions which includes unrestricted and restricted donations and grants.

Unrestricted donations are recognized as revenue when received or pledged. Funds received from other United Ways are recognized as revenue when received.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at rates corresponding with the amortization rates for the related capital assets.

Nevada ticket sales, interest and rent are recognized as revenue when earned.

Endowment contributions are recognized as direct increases in net assets.

(c) Investments:

Investments consist of guaranteed investment certificates with maturity dates ranging from one year to four years from the date of acquisition. Guaranteed investment certificates maturing within one year of the year end date are included in current assets.

Investments are classified as held-to-maturity since the United Way has the intent and ability to hold the investments until maturity. Investments are recorded at amortized cost using the effective interest method.

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Notes to Financial Statements, page 2

Year ended December 31, 2011

1. Summary of significant accounting policies (continued):

(d) Campaign pledges receivable:

Campaign pledges receivable are recognized if the amount to be received can be reasonably estimated and collection is reasonably assured.

An allowance for uncollectible pledges receivable is calculated using historical loss experience and deducted from the carrying value of the receivable.

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis using the following annual rates:

Assets	Rate
Building	4%
Equipment	20%
Computer equipment and software	33 1/3% and 50%

(f) Volunteer services:

A substantial number of volunteers contribute a significant amount of time to the United Way each year. Volunteer services are not recorded in the financial statements since the value of these services cannot be readily determined.

(g) In-kind contributions:

The United Way receives in-kind contributions of clothing, office supplies, personal care products and other goods which are used internally and distributed to agency members and other community agencies. Since these in-kind contributions would not ordinarily be purchased by the United Way, they are not recorded in the financial statements.

(h) Allocation of expenses:

General management and administration expenses are allocated between programs and campaign expenses based on effort and have been allocated as follows:

	2011	2010
Programs	66.1%	67.1%
Campaign	33.9%	32.9%

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Notes to Financial Statements, page 3

Year ended December 31, 2011

1. Summary of significant accounting policies (continued):

(i) Management estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Estimates are used in determining the allowance for uncollectible campaign pledges receivable, the amortization of capital assets and the amortization of deferred contributions related to capital assets. Actual results could differ from these estimates.

2. Change in accounting policy:

The United Way has amended its accounting policy for the revenue recognition of unrestricted donations which are now recognized as revenue in the year when received or pledged. In prior years the United Way reported as deferred contributions the unrestricted donations that were used to finance allocations to agency members, programs development and operating expenses disbursed and incurred in the following year.

For the year ended December 31, 2011 this change in accounting policy resulted in a \$79,016 increase in campaign contributions recognized as revenue and in the excess of revenue over expenses.

The impact of this change in accounting policy on the 2010 comparative figures is as follows:

	2010 Original	Increase (Decrease)	2010 Restated
Statement of Financial Position:			
Deferred campaign contributions	\$ 871,851	\$ (871,851)	\$ -
Unrestricted net assets	37,540	871,851	909,391
Statement of Operations:			
Campaign contributions revenue	991,277	(11,613)	979,664
Excess of revenue over expenses	40,286	(11,613)	28,673
Statement of Changes in Net Assets:			
Opening net assets	376,702	883,464	1,260,166

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Notes to Financial Statements, page 4

Year ended December 31, 2011

3. Investments:

	2011	2010
Short-term:		
4.50% Guaranteed investment certificate, matures May 30, 2012	\$ 60,000	\$ -
4.05% Guaranteed investment certificate, matured May 3, 2011	-	60,000
1.35% Guaranteed investment certificate, matured May 17, 2011	-	60,000
0.9% Guaranteed investment certificate, matured November 12, 2011	-	125,000
0.9% Guaranteed investment certificate, matured November 12, 2011	-	125,000
	<u>\$ 60,000</u>	<u>\$ 370,000</u>
Long-term:		
4.50% Guaranteed investment certificate, matures May 30, 2012	\$ -	\$ 60,000
3.60% Guaranteed investment certificate, matures April 26, 2013	60,000	60,000
2.79% Guaranteed investment certificate, matures June 11, 2014	63,390	61,672
	<u>\$ 123,390</u>	<u>\$ 181,672</u>

The United Way manages the interest rate price risk exposure of its long-term investments by using a laddered portfolio with varying terms to maturity. The laddered structure of maturities helps to enhance the average portfolio yield while reducing the sensitivity of the portfolio to the impact of interest rate fluctuations.

4. Capital assets:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 50,000	\$ -	\$ 50,000	\$ 50,000
Building	254,545	110,904	143,641	153,823
Equipment	21,393	19,906	1,487	1,813
Computer equipment and software	30,271	28,664	1,607	3,635
	<u>\$ 356,209</u>	<u>\$ 159,474</u>	<u>\$ 196,735</u>	<u>\$ 209,271</u>

The total cost and accumulated amortization of capital assets as at December 31, 2010 amounted to \$355,681 and \$146,410 respectively.

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Year ended December 31, 2011

5. Externally restricted donations:

Deferred contributions related to externally restricted donations represent unspent donations that have been restricted by the donors for the Gifts in Kind Centre and youth programs.

	2011	2010
Balance, beginning of year	\$ 16,743	\$ 33,300
Externally restricted donations collected	2,552	2,261
Amount recognized as revenue:		
Gifts in Kind Centre	-	(15,000)
Youth programs	(1,370)	(3,818)
Balance, end of year	\$ 17,925	\$ 16,743
Represented by funds externally restricted for:		
Gifts in Kind Centre	\$ 15,000	\$ 15,000
Youth programs	2,925	1,743
	\$ 17,925	\$ 16,743

6. Collaborative immigration project:

The collaborative immigration project's revenue and expenses represent the utilization of grants collected from the Ontario Trillium Foundation, the City of Brockville and Citizenship and Immigration Canada to develop a strategy and begin implementing support systems that will present Leeds and Grenville as a welcoming community to newcomers, in particular immigrants. As at December 31, 2011 deferred contributions of this project represent unspent grants collected from the City of Brockville.

7. Deferred contributions related to capital assets:

Deferred contributions related to capital assets represent externally restricted capital contributions and grants received for the purchase of capital assets together with contributed capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2011	2010
Balance, beginning of year	\$ 56,918	\$ 60,769
Contributions received during the year	-	258
Amount amortized to revenue	(4,131)	(4,109)
Balance, end of year	\$ 52,787	\$ 56,918

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Year ended December 31, 2011

8. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2011	2010
Capital assets	\$ 196,735	\$ 209,271
Amounts financed by deferred contributions related to capital assets	(52,787)	(56,918)
	\$ 143,948	\$ 152,353

(b) Change in the investment in capital assets is calculated as follows:

	2011	2010
Excess of expenses over revenue:		
Amortization of deferred contributions related to capital assets	\$ 4,131	\$ 4,109
Amortization of capital assets	(13,065)	(13,713)
	\$ (8,934)	\$ (9,604)
Net change in investment in capital assets:		
Capital assets acquired	\$ 529	\$ 8,698
Capital assets funded by deferred capital contributions	-	(258)
	\$ 529	\$ 8,440

9. Internally restricted net assets:

	2011			2010	
	Nevada tickets	Building	Operating reserve	Total	Total
Nevada tickets:					
Sales	\$ 55,765	\$ -	\$ -	\$ 55,765	\$ 69,940
Expenses	(37,055)	-	-	(37,055)	(46,381)
Building:					
Rent	-	9,792	-	9,792	11,750
Expenses	-	(19,513)	-	(19,513)	(16,060)
Excess (deficiency) of revenue over expenses	18,710	(9,721)	-	8,989	19,249
Balance, beginning of year	72,671	43,265	111,159	227,095	205,315
Transfers from unrestricted net assets	-	2,545	-	2,545	2,531
Balance, end year	\$ 91,381	\$ 36,089	\$ 111,159	\$ 238,629	\$ 227,095

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Notes to Financial Statements, page 7

Year ended December 31, 2011

9. Internally restricted net assets (continued):

The Board of Directors has internally restricted:

- (a) the excess of revenue over expenses from the sale of Nevada tickets to be used to finance programs, campaign and general management and administration expenses; and
- (b) the excess of rental revenue over building expenses to be used to finance major repairs and improvements to the building.

The operating reserve represents funds internally restricted by the Board of Directors for purposes to be approved by the Board.

10. Externally restricted endowment:

The conditions for the use of the investment income that will be earned from the endowment contribution have yet to be established by the donor.

11. Unrestricted net assets:

Unrestricted net assets are earmarked by management for the following purposes:

	2011	2010
Allocation commitments to agency members	\$ 739,589	\$ 680,694
Programs development	100,354	113,606
Operating capital	179,728	115,091
	<u>\$ 1,019,671</u>	<u>\$ 909,391</u>

12. Gifts in Kind Centre:

The United Way has established a Gifts in Kind Centre which is operated as a program of the United Way where goods obtained from "In Kind Canada" and similar organizations are being sold at greatly reduced prices. The revenue earned and expenses incurred by this program are reported in the Statement of Operations.

13. Financial instruments:

The United Way's financial instruments include cash, campaign pledges receivable, other receivables, accrued interest receivable, accounts payable and accrued liabilities and allocations payable to agency members. Due to their nature or capacity for prompt liquidation, the fair values of these financial instruments approximate their carrying values.

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Notes to Financial Statements, page 8

Year ended December 31, 2011

14. Capital management:

The United Way defines capital as the sum of its net assets which amounts to \$1,412,248 (2010 - \$1,288,839). The United Way's objectives when managing capital are:

- (a) to hold sufficient internally restricted and unrestricted net assets to enable the United Way to withstand negative unexpected financial events in order to maintain stability in its financial structure; and
- (b) to maintain sufficient liquidity to enable it to meet its obligations as they become due.

The United Way is not subject to externally imposed requirements on its capital.

15. Lease commitment:

The United Way rents space for the Gifts in Kind Centre under a long-term operating lease which expires on September 30, 2014. Future minimum lease payments, by year and in aggregate, are as follows:

2012	\$ 9,443
2013	9,561
2014	7,436
	<hr/>
	\$ 26,440

16. Future accounting changes:

In December, 2010 the Canadian Accounting Standards Board issued Part III of the *CICA Handbook – Accounting* to provide Canadian private sector not-for-profit organizations with a new financial reporting framework for fiscal years beginning on or after January 1, 2012. The United Way will adopt Part III of the *CICA Handbook* for the year ending December 31, 2012.

Until Part III of the *Handbook* is adopted, the United Way will continue to follow the pre-changeover accounting standards in Part V of the *Handbook*.

17. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

UNITED WAY OF LEEDS AND GRENVILLE

Programs Expenses

Schedule A

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Programs development	\$ 82,274	\$ 80,926
Gifts in Kind Centre	23,203	10,903
United Way of Canada dues	7,501	7,141
Youth programs	4,265	5,829
Amortization of capital assets	5,576	5,624
	122,819	110,423
Allocation of general management and administration expenses (schedule D)	119,038	115,756
	\$ 241,857	\$ 226,179

Campaign Expenses

Schedule B

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Special events	\$ 37,887	\$ 31,581
Advertising and promotion	4,536	5,937
Postage	4,910	3,211
Supplies and forms	8,156	4,117
Credit card charges	2,717	2,257
Volunteer recognition	5,218	5,516
Travel	816	1,467
Miscellaneous	855	51
	65,095	54,137
Allocation of general management and administration expenses (schedule D)	61,093	56,632
	\$ 126,188	\$ 110,769

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Building and Nevada Tickets Expenses

Schedule C

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Building:		
Utilities	\$ 4,703	\$ 5,753
Repairs	3,607	2,286
Insurance	3,774	1,145
Wages	2,626	2,714
Amortization of capital assets	2,545	2,531
Miscellaneous	2,258	1,631
	<u>\$ 19,513</u>	<u>\$ 16,060</u>
Nevada tickets:		
Site remuneration	\$ 10,643	\$ 13,061
Ontario Gaming Commission taxes	7,705	11,023
Tickets	7,472	9,764
Administration fees	6,805	8,561
Licenses and fees	4,430	3,972
	<u>\$ 37,055</u>	<u>\$ 46,381</u>

General Management and Administration Expenses

Schedule D

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Salaries and benefits	\$ 139,583	\$ 124,054
Office supplies and photocopier lease	8,108	7,750
Travel and conferences	6,584	12,216
Professional services	9,229	15,330
Telephone	5,788	4,199
Postage	396	585
Insurance	1,503	982
Internet	582	745
Advertising	472	317
Bank and credit card charges	101	90
Amortization of capital assets	4,944	5,557
Miscellaneous	2,841	563
Total expenses to be allocated	<u>\$ 180,131</u>	<u>\$ 172,388</u>
Allocated to:		
Programs expenses	\$ 119,038	\$ 115,756
Campaign expenses	61,093	56,632
	<u>\$ 180,131</u>	<u>\$ 172,388</u>