

Financial Statements of

**UNITED WAY OF KFL&A**

Year ended December 31, 2018



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## INDEPENDENT AUDITORS' REPORT

To the Members of United Way of KFL&A

### ***Qualified Opinion***

We have audited the financial statements of United Way of KFL&A, which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- that statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the “financial statements”).

In our opinion, except for the possible effects of the matter described in the “***Basis for Qualified Opinion***” section of our auditors’ report, the accompanying financial statements present fairly, in all material respects, the financial position of United Way of KFL&A 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, United Way of KFL&A derives revenue from donations, 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 United Way of KFL&A.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at December 31, 2018 and December 31, 2017
- the donations revenue and excess of revenue over expenses reported in the statements of operations for the years ended December 31, 2018 and December 31, 2017
- the unrestricted net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended December 31, 2018 and December 31, 2017



- the excess of revenue over expenses reported in the statements of cash flows for the years ended December 31, 2018 and December 31, 2017

Our opinion on the financial statements for the year ended and December 31, 2017 was qualified 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 “Auditors’ Responsibilities for the Audit of the financial statements” section of our auditors’ report.

We are independent of United Way of KFL&A in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 opinion.

***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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing United Way of KFL&A’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 United Way of KFL&A or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the United Way of KFL&A’s financial reporting process.

***Auditors’ 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 auditors’ 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 United Way of KFL&A'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 United Way of KFL&A's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause United Way of KFL&A to cease to continue as a going concern.
- 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.
- 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.
- Obtain sufficient appropriate regarding the financial information of the entities or business activities within United Way of KFL&A to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

April 18, 2019

# UNITED WAY OF KFL&A

## Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
<b>Assets</b>		
Current assets:		
Cash	\$ 1,072,807	\$ 1,060,259
Short-term investments (note 2)	1,012,214	1,003,750
Pledges receivable (note 3)	255,185	297,409
Accounts receivable	40,132	36,298
Prepaid expenses	1,785	9,822
	<u>2,382,123</u>	<u>2,407,538</u>
Long-term investments (note 4)	3,778,767	3,518,939
Capital assets (note 5)	34,973	43,459
	<u>\$ 6,195,863</u>	<u>\$ 5,969,936</u>

## Liabilities and Net Assets

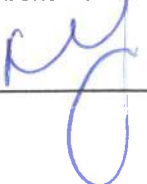
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 739,763	\$ 646,672
Monies held in trust (note 7)	23,967	15,390
Deferred contributions non-campaign	104,155	56,258
Deferred campaign revenue	2,174,305	2,149,285
	<u>3,042,190</u>	<u>2,867,605</u>
Net assets:		
Invested in 417 Bagot Group (note 4(a))	409,619	408,536
Invested in capital assets (note 8)	34,973	43,459
Reserves (note 9)	387,590	460,000
Endowments	2,127,669	1,958,253
Unrestricted	193,822	232,083
	<u>3,153,673</u>	<u>3,102,331</u>

Commitments (note 11)

	<u>\$ 6,195,863</u>	<u>\$ 5,969,936</u>
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See accompanying notes to financial statements.

On behalf of the Board of Directors:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# UNITED WAY OF KFL&A

## Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Campaign revenue	\$ 3,332,602	\$ 3,317,323
Funds transferred from other United Ways	51,183	11,592
Funds transferred to other United Ways	(25,851)	(20,203)
Community special events	132,290	137,697
Gross campaign revenue	3,490,224	3,446,409
Pledge recovery (loss) (note 10)	(106,448)	1,351
Net campaign revenue	3,383,776	3,447,760
Kingston Penitentiary tours	921,415	800,000
Homelessness partnership strategy grant	273,877	263,208
Investment income	49,787	43,696
Donations and other revenue, including grants	68,075	267,226
	4,696,930	4,821,890
Expenses:		
Allocations and programs:		
Program grants	1,913,785	1,821,502
Distributions and Community Programs and Services (schedule 1)	340,996	342,035
United Way Community Impact Initiatives	189,456	269,686
Donor choice designations	457,960	397,626
Homelessness partnership strategy grants	217,327	232,265
United Way dues and shared costs	34,001	32,682
Youth Homelessness	797,262	866,893
	3,950,787	3,962,689
Operations:		
Fundraising (schedule 1)	683,257	554,763
Community special events	72,824	64,562
Investment management fee	13,598	20,405
	4,720,466	4,602,419
Excess of revenue over expenses (expenses over revenue) before the undernoted	(23,536)	219,471
Income from joint venture	1,083	4,524
Unrealized gain (loss) on investments	(95,621)	31,519
Excess of revenue over expenses (expenses over revenue)	\$ (118,074)	\$ 255,514

See accompanying notes to financial statements.

# UNITED WAY OF KFL&A

## Statement of Changes in Net Assets

Year ended December 31, 2018, with comparative information for 2017

	Invested in 417 Bagot Group (note 4(a))	Invested in capital assets (note 8)	Reserves (note 9)	Restricted for endowments (note 17)	Unrestricted	2018 Total	2017 Total
Balance, beginning of year	\$ 408,536	\$ 43,459	\$ 460,000	\$ 1,958,253	\$ 232,083	\$ 3,102,331	\$ 1,489,686
Excess of revenue over expenses (expenses over revenue)	1,083	(16,747)	—	—	(102,410)	(118,074)	255,514
Endowment contributions	—	—	—	169,416	—	169,416	1,357,131
Interfund transfer	—	—	(72,410)	—	72,410	—	—
Net change in investment in capital assets	—	8,261	—	—	(8,261)	—	—
<b>Balance, end of year</b>	<b>\$ 409,619</b>	<b>\$ 34,973</b>	<b>\$ 387,590</b>	<b>\$ 2,127,669</b>	<b>\$ 193,822</b>	<b>\$ 3,153,673</b>	<b>\$ 3,102,331</b>

See accompanying notes to financial statements.

# UNITED WAY OF KFL&A

## Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used for):		
Operating expenses:		
Excess of revenue over expenses (expenses over revenue)	\$ (118,074)	\$ 255,514
Item which does not involve cash:		
Amortization of capital assets	16,747	15,973
Unrealized gain (loss) on investments	(95,621)	31,519
Change in non-cash working capital:		
Pledges receivable	42,224	(134,977)
Accounts receivable	(3,834)	12,598
Prepaid expenses	8,037	12
Accounts payable and accrued liabilities	93,091	146,120
Monies held in trust	8,577	(189,896)
Deferred contributions non-campaign	47,897	(2,930)
Deferred campaign revenue	25,020	506,443
	24,064	640,376
Financing activities:		
Endowment contributions	169,416	1,357,131
Investing activities:		
Purchase of capital assets	(8,261)	(14,561)
Increase in long-term investments	(164,207)	(2,305,851)
	(172,468)	(2,320,412)
Increase (decrease) in cash	21,012	(322,905)
Cash, beginning of year	2,064,009	2,386,914
Cash, end of year	\$ 2,085,021	\$ 2,064,009
Represented by:		
Cash in bank	\$ 1,072,807	\$ 895,716
Short-term investments	1,012,214	1,003,750
Cash in long-term investments	—	164,543
Cash, end of year	\$ 2,085,021	\$ 2,064,009

See accompanying notes to financial statements.



# UNITED WAY OF KFL&A

Notes to Financial Statements

Year ended December 31, 2018

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United Way of KFL&A is a not-for-profit organization incorporated without share capital under the laws of Ontario. United Way of KFL&A's services are provided to the Kingston, Frontenac, Lennox & Addington community. United Way of KFL&A is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met. These requirements have been met as at December 31, 2018.

United Way of KFL&A's mission is to build and strengthen the community by bringing people and resources together to facilitate change. United Way of KFL&A's vision is a future where people are self-sufficient in a community where individuals live with hope, dignity and a sense of belonging.

## 1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of CPA Canada Handbook – Accounting.

### (a) Revenue recognition:

United Way of KFL&A uses the deferral method of accounting for contributions for not-for-profit organizations.

United Way of KFL&A conducts a public campaign for funds during the last quarter of each calendar year in order to fund programs and to identify and work on issues for the subsequent fiscal year. Accordingly, campaign revenue of the current year is deferred to the subsequent fiscal year. All allocations that are scheduled to be disbursed more than twelve months after the current year-end are financed from the subsequent year's campaign.

Pledges receivable at the end of the year reflect amounts outstanding from the preceding campaign, less an allowance for pledge losses. Allowances are provided for amounts estimated to be uncollectible. This policy conforms to that adopted by the majority of United Way organizations.

Other unrestricted 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. Primary sources of other unrestricted contributions recognized as revenue during the year are funds transferred to and from other United Ways, community special events and investment income.

Restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized.

# UNITED WAY OF KFL&A

Notes to Financial Statements (continued)

Year ended December 31, 2018

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## 1. Significant accounting policies (continued):

### (a) Revenue recognition (continued):

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 recognized. Unrestricted investment income is recognized as revenue when earned.

### (b) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to United Way of KFL&A's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized using the following annual rates:

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	Rate
Furniture and equipment	20% diminishing balance or 10 years straight-line basis
Telephone system	30% diminishing balance basis
Computer equipment	30% diminishing balance or 2 to 3 years straight-line basis
Computer software	2 years straight-line basis
Leasehold improvements	10 years straight-line basis

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### (c) Contributed services:

Volunteers contribute a substantial number of hours each year to assist United Way of KFL&A in carrying out its activities. Because of the difficulty of determining the fair value, contributions of such services are not recognized in the financial statements.

United Way of KFL&A receives gifts in kind from some donors, primarily for campaign costs of printing, supplies, advertising and public relations. These amounts are excluded from revenue and expenses.

# UNITED WAY OF KFL&A

Notes to Financial Statements (continued)

Year ended December 31, 2018

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## 1. Significant accounting policies (continued):

### (d) Use of estimates:

The preparation of the financial statements 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 revenue and expenses during the year. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

### (e) Net asset reserves:

#### (i) Contingency Reserve Fund:

There is a requirement for United Way of KFL&A to be fiscally responsible in its operations, which requires United Way of KFL&A to be in a position to meet outstanding obligations to staff and third parties under any unexpected circumstances. These funds are intended for contingency purposes, to be accessed only after formal approval of United Way of KFL&A's Board of Directors.

#### (ii) Endowment Reserve:

The endowment reserve is an Eternity Fund managed by the United Way of KFL&A Investment Committee and is externally restricted with the principal being preserved in perpetuity. The income earned from the Eternity Fund is internally restricted and is used to support essential programs ensuring donations to the Eternity Fund will benefit future generations.

#### (iii) Unrestricted Reserve:

This reserve is the cumulative surplus/deficit of United Way of KFL&A activities and it is up to the discretion of the United Way of KFL&A Board of Directors regarding the use of these funds.

### (f) Employee future benefits:

United Way of KFL&A has a defined contribution plan providing pension and post-employment benefits for its employees. The cost of the defined contribution plan is based on the required contributions during each period.

# UNITED WAY OF KFL&A

Notes to Financial Statements (continued)

Year ended December 31, 2018

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## 1. Significant accounting policies (continued):

### (g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. United Way of KFL&A has elected to subsequently carry all of its short-term investments and all of its long-term investments, excluding the investment in a joint venture, at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, United Way of KFL&A determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount United Way of KFL&A expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

## 2. Short-term investments:

	2018	2017
High interest savings account (1.85%)	\$ 1,012,214	\$ 1,003,750

Short-term investments are invested in a manner to allow the organization to access funds for operational needs on short-term notice with minimal investment risk.

# UNITED WAY OF KFL&A

Notes to Financial Statements (continued)

Year ended December 31, 2018

### 3. Pledges receivable:

	2018	2017
2017 Campaign	\$ 296,753	\$ –
2016 Campaign	14,432	348,092
2015 Campaign	–	7,317
Less allowance for pledge losses	(56,000)	(58,000)
	<u>\$ 255,185</u>	<u>\$ 297,409</u>

### 4. Long-term investments:

#### (a) Investment in 417 Bagot Group:

United Way of KFL&A has a one-half interest in a joint venture, the 417 Bagot Group (“Group”), together with another agency (Resolve – Counselling Services Canada) to own and manage the building in which the two agencies carry on their operations. The investment in the joint venture is recorded on the equity basis which reflects the net income or loss of the Group for the year ended December 31, 2018. The following information represents United Way of KFL&A’s proportionate share of the assets, liabilities, revenue, expenses, excess of revenue over expenses and cash flows in this joint venture:

	2018	2017
Assets		
Cash	\$ 42,472	\$ 36,822
Accounts receivable	1,395	1,469
Capital assets	387,400	403,753
	<u>\$ 431,267</u>	<u>\$ 442,044</u>

	2018	2017
Liabilities and Co-tenants’ Capital		
Accounts payable and accrued liabilities	\$ 3,339	\$ 6,815
Current portion of long-term debt	8,774	8,385
Due from related parties	625	625
Long-term debt	106,950	115,723
Co-tenant’s capital	311,579	310,496
	<u>\$ 431,267</u>	<u>\$ 442,044</u>

# UNITED WAY OF KFL&A

Notes to Financial Statements (continued)

Year ended December 31, 2018

## 4. Long-term investments (continued):

### (a) Investment in 417 Bagot Group (continued):

Excess of revenue over expenses:

	2018		2017	
Revenue	\$	71,420	\$	71,747
Expenses		70,337		67,223
	\$	1,083	\$	4,524

Cash provided by (used in):

	2018		2017	
Operating activities	\$	14,035	\$	25,549
Financing activities		(8,385)		(8,012)

There are no significant differences in accounting policies between 417 Bagot Group and United Way of KFL&A. The amount reported as long-term investment on the Statement of Financial Position is determined as follows:

	2018		2017	
Contributions since commencement	\$	146,086	\$	146,086
Gain in earnings since commencement		86,070		84,987
Reallocation of co-tenants' capital up to one-half share		101,960		101,960
Payment of market value in excess of book value for one-third share up to one-half share		98,040		98,040
Major repairs funded by the replacement reserve		(22,537)		(22,537)
	\$	409,619	\$	408,536

The two participants in the joint venture are jointly and severally liable for a loan. As at December 31, 2018, the principal balance of the loan in aggregate is \$231,446 (2017 - \$248,215).

# UNITED WAY OF KFL&A

Notes to Financial Statements (continued)

Year ended December 31, 2018

## 4. Long-term investments (continued):

(b) Financial investments:

	2018	2017
Mutual funds	\$ 1,124,032	\$ 984,154
Endowment fund investments held with CIBC Wood Gundy	2,245,116	2,126,249
	<u>\$ 3,369,148</u>	<u>\$ 3,110,403</u>

As per the United Way of KFL&A's Investment Policy, short-term needs require short-term solutions, such as cash accounts (extremely liquid cash) or low risk fixed income type of investments. Longer term needs, may allow time to invest in equities, which generally have higher short-term risks but better long-term growth potential.

Unrestricted reserves are to be invested in a manner that when needed, the investments can be converted to cash on short-term notice with minimal investment risk.

Restricted reserves may be invested in longer term investments to grow the investment pool by at least the annual rate of inflation.

Endowment Fund will follow the investment strategy as per the Investment Policy of the United Way of KFL&A.

## 5. Capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Furniture and equipment	\$ 83,115	\$ 76,135	\$ 6,980	\$ 4,143
Telephone system	43,537	42,028	1,509	2,155
Computer equipment	169,450	157,364	12,086	20,420
Computer software	95,783	81,385	14,398	16,741
Leasehold improvements	8,999	8,999	—	—
	<u>\$ 400,884</u>	<u>\$ 365,911</u>	<u>\$ 34,973</u>	<u>\$ 43,459</u>

Cost and accumulated amortization of capital assets at December 31, 2017 amounted to \$392,624 and \$349,165, respectively.

# UNITED WAY OF KFL&A

Notes to Financial Statements (continued)

Year ended December 31, 2018

## 6. Accounts payable and accrued liabilities:

	2018	2017
Accounts payable and accrued liabilities	\$ 145,037	\$ 121,570
Donor designations	221,799	163,686
Grants payable	372,927	361,416
	\$ 739,763	\$ 646,672

Included in accounts payable and accrued liabilities are government remittances payable of \$12,292 (2017 - \$6,333), which includes amounts payable for harmonized sales tax and payroll-related taxes.

## 7. Monies held in trust:

In 2007, United Way of KFL&A entered into a contract with the Corporation of the City of Kingston (the "City") to provide services, on a trust basis, to administer the Healthy Community Fund. The services include:

- (a) administration of the Healthy Community Fund application process;
- (b) determination and approval of grants from the Healthy Community Fund;
- (c) contracting with successful applicants as an agent of the City; and
- (d) issuing approved grants and tracking fulfillment of conditions of each grant.

	2018	2017
Opening balance	\$ 15,390	\$ 205,286
Receipts	189,378	-
Disbursements	(180,801)	(189,896)
Ending balance	\$ 23,967	\$ 15,390



# UNITED WAY OF KFL&A

Notes to Financial Statements (continued)

Year ended December 31, 2018

## 8. Invested in capital assets:

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

	2018	2017
Capital assets	\$ 34,973	\$ 43,459

(b) Change in net assets invested in capital assets is calculated as follows:

	2018	2017
Excess of expenses over revenue:		
Amortization of capital assets	\$ (16,747)	\$ (15,973)
Net change in investment in capital assets:		
Purchase of capital assets	\$ 8,261	\$ 14,561

## 9. Reserves:

Reserves consist of:

	2018	2017
Contingency Reserve Fund	\$ 160,000	\$ 130,000
Youth Homelessness Reserve	227,590	330,000
Balance, December 31	\$ 387,590	\$ 460,000

(a) Contingency Reserve Fund:

In accordance with policy, the balance in the reserve is to be maintained within a range of 10% to 20% of the operating budget. Contingency reserve funds are intended for contingency purposes, to be accessed only after formal approval by United Way of KFL&A's Board of Directors.

(b) Youth Homelessness Reserve:

Using proceeds from the Kingston Penitentiary Tours, the Board of Directors passed a motion to set aside these funds to be spent in the area of youth homelessness. This reserve is internally restricted and is intended for the programs that support the plan to end youth homelessness.

# UNITED WAY OF KFL&A

Notes to Financial Statements (continued)

Year ended December 31, 2018

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## 10. Pledge recovery (loss):

	2018	2017
Pledge loss - current year campaign	\$ (56,000)	\$ (58,000)
Recovery (pledge loss) - relating to 2016 and earlier campaigns	(50,448)	59,351
	<u>\$ (106,448)</u>	<u>\$ 1,351</u>

## 11. Commitments:

United Way of KFL&A has entered into a lease with the 417 Bagot Group, a related joint venture, for use of its premises at 417 Bagot Street, Kingston. This lease requires monthly payments of \$4,807 and has no pre-determined expiration date.

United Way of KFL&A also leases various office equipment under various leases.

The minimum annual lease payments on all existing lease agreements for the next five years are as follows:

2019	\$ 93,429
2020	87,122
2021	61,658
2022	58,328
2023	57,683
	<u>\$ 358,220</u>

## 12. Related party transactions:

United Way of KFL&A has a one-half interest in a joint venture, the 417 Bagot Group, as detailed in note 4 to these financial statements. United Way of KFL&A rents premises from the joint venture as disclosed in note 11.

These transactions are in the normal course of operations and are measured at the exchange amount, being the amount of consideration established and agreed to by the relevant party.

# UNITED WAY OF KFL&A

Notes to Financial Statements (continued)

Year ended December 31, 2018

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## 13. Employer-employee group plan:

United Way of KFL&A is a participant in a group registered retirement savings plan. United Way of KFL&A contributes, on behalf of each eligible employee, an amount equal to the employee's contribution to a maximum of 5% earnings. During the year, United Way of KFL&A expensed \$32,317 (2017 - \$32,081) under this group registered retirement savings plan arrangement.

## 14. Financial risks and concentration of risk:

As a result of holding financial instruments, United Way of KFL&A is exposed to investment risk, market risk, interest risk and credit risk. The following is a description of those risks and how United Way of KFL&A manages its exposure to them.

### (a) Investment risk management:

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to interest rate and market risk. United Way of KFL&A mitigates these risks with an investment policy designated to limit exposure and concentration while achieving optimal return within reasonable risk tolerances.

### (b) Market and interest rate risk:

The risks associated with the investments are the risks associated with the securities in which the funds are invested. The value of equity securities changes with stock market conditions, which are affected by general economic and market conditions. The value of securities will vary with developments within the specific entities which issue the securities. The value of fixed income securities will generally rise if interest rates fall and fall if interest rates rise. Changes in interest rates may also affect the value of equity securities.

### (c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. United Way of KFL&A is exposed to credit risk with respect to the pledges receivable, accounts receivable, short-term investments and certain of its long-term investments. United Way of KFL&A assesses, on a continuous basis, pledges receivable, accounts receivable, short-term investments and certain of its long-term investments and provides for any amounts that are not collectible. United Way of KFL&A has provided for certain pledges receivable as disclosed in note 3. United Way of KFL&A has determined that there is no impairment to the accounts receivable or the relevant investment balances as at December 31, 2018.

# UNITED WAY OF KFL&A

Notes to Financial Statements (continued)

Year ended December 31, 2018

## 15. Re-allocation of administration expenses:

General management and administrative expenses are re-allocated between fundraising expenses, distributions and community programs and service expenses, and community impact initiatives expenses based on the organization's budget allocation at the beginning of the year in which the administrative expenses are incurred. This re-allocation is based on pro-rated staff time.

	2018	2017
Fundraising	49%	43%
Distributions & community programs & services	27%	28%
Community impact initiatives	24%	29%
	100%	100%

## 16. Transparency, accountability and financial reporting:

The United Way of KFL&A follows the reporting guidelines as outlined in its membership agreement with United Way of Canada – Centraide Canada. As part of these guidelines, each member calculates fundraising and allocation ratios. These ratios are summarized as follows:

	2018		2017	
Fundraising ratio:				
Total Revenue	\$ 4,696,930		\$ 4,821,890	
Add: provision for uncollectable pledges	106,448		–	
Less: recovery for collected pledges	–		(1,351)	
Total revenue for fundraising	4,803,378		4,820,539	
Total fundraising (note 16 (a)) including cost recovery and special events (schedule 1)	636,583	13.2%	477,548	9.9%
General management and administrative expense	119,498	2.5%	141,777	2.9%
Total fundraising expenses	\$ 756,081	15.7%	\$ 619,325	12.8%

(a) In 2018, the United Way of KFL&A received funds from the dissolution of the United Ways of Ontario Fund, which the Board of Directors directed towards targeted digital data analysis and marketing in the amount of \$39,869. These expenses cover digital costs aimed at enhancing United Way of KFL&A's long-term digital capabilities. These expenses increased the overall fundraising to 15.7%. Excluding these costs, a ratio of 14.9% would apply.

# UNITED WAY OF KFL&A

Notes to Financial Statements (continued)

Year ended December 31, 2018

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## 17. Management of capital:

United Way of KFL&A defines its capital as the amounts included in its net assets.

Contributions restricted for endowment consist of externally restricted donations received by United Way of KFL&A. The endowment principal is required to be maintained intact. The investment income must be used in accordance with the various purposes established by the donors. United Way of KFL&A ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

United Way of KFL&A manages the net asset structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets.

United Way of KFL&A's objective when managing capital is to safeguard its ability to sustain itself as a going concern so that it can continue to provide the appropriate level of benefits and services to its beneficiaries and stakeholders. A portion of United Way of KFL&A's capital is restricted in that the organization is required to meet certain requirements to utilize its externally and internally restricted net assets, as described in note 9 for Reserves. United Way of KFL&A has internal control processes to ensure that the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.

Management and the Board of Directors carefully considers fundraising campaigns, grants, sponsorship and investment income to ensure that sufficient funds will be available to meet United Way of KFL&A's short and long-term objectives.

United Way of KFL&A monitors its financial performance against an annual budget. In the event that revenue declines, United Way of KFL&A will budget for reduced distributions and reduced operational expenses.

# UNITED WAY OF KFL&A

Schedule 1 - Administration, Fundraising and United Way Community Investments Programs Expenses  
Distributions and community programs and services

Year ended December 31, 2018, with comparative information for 2017

	Administration	Fundraising	Distributions and community programs and services	2018 Total	2017 Total
Direct costs:					
Salaries and benefits	\$ 154,289	\$ 421,399	\$ 231,483	\$ 807,171	\$ 727,706
Other direct costs	64,017	92,726	30,435	187,178	223,806
Digital data analysis and marketing (one-time)	–	39,869	–	39,869	–
	218,306	553,994	261,918	1,034,218	951,512
Amortization of capital assets	16,747	–	–	16,747	15,973
Occupancy costs	8,820	24,088	13,232	46,140	43,940
Total expenses before reallocation of administrative expenses and cost recovery	243,873	578,082	275,150	1,097,105	1,011,425
Reallocation of administrative expenses (note 15)	(243,873)	119,498	65,846	(58,529)	(95,616)
Cost recovery	–	(14,323)	–	(14,323)	(19,011)
Total expenses	\$ –	\$ 683,257	\$ 340,996	\$ 1,024,253	\$ 896,798