

**United Way of Kitchener-
Waterloo and Area**
Financial Statements
For the year ended December 31, 2010



United Way
SERVING KITCHENER-WATERLOO
And the Townships of Wellesley, Wilmot and Woolwich

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Independent Auditors' Report

To the Directors of United Way of Kitchener-Waterloo and Area

We have audited the accompanying financial statements of United Way of Kitchener-Waterloo and Area, which comprise the balance sheet as at December 31, 2010, the statements of fund balances, operations 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.

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 auditors' 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 charitable organizations, the organization derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization. We were unable to determine whether any adjustments might be necessary to revenue, net funds for the year, current assets and fund balances.

Qualified Opinion

In our opinion, except for the 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 Kitchener-Waterloo and Area as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Waterloo, Ontario
May 19, 2011

United Way of Kitchener-Waterloo and Area Balance Sheet

December 31

2010 2009

	Operating Fund	Stabilization / Emergency Fund	Supplemental Initiatives Fund	Total	Total
Assets					
Current					
Cash (Note 1)	\$ 388,559	\$ -	\$ -	\$ 388,559	\$ 851,622
Investments (Note 2)	733,350	777,551	656,390	2,167,291	1,384,671
Pledges and accounts receivable	593,188	-	-	593,188	620,096
Prepaid expenses	40,033	-	-	40,033	25,058
	1,755,130	777,551	656,390	3,189,071	2,881,447
Capital assets (Note 3)	44,345	-	-	44,345	51,045
	\$ 1,799,475	\$ 777,551	\$ 656,390	\$ 3,233,416	\$ 2,932,492

Liabilities and Fund Balances

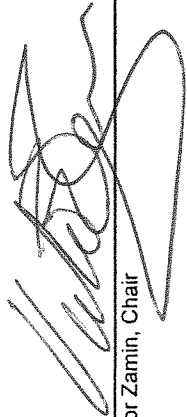
Current

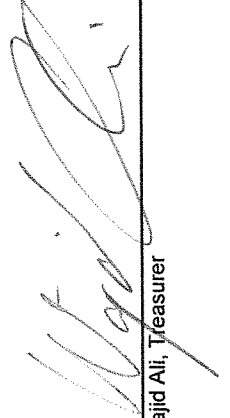
Accounts payable and accrued liabilities	\$ 180,200	\$ -	\$ -	\$ 180,200	\$ 91,378
Accrued donor designations	284,282	-	-	284,282	387,828
Deferred contributions - Campaign	1,219,132	-	-	1,219,132	1,624,531
Deferred contributions (Note 4)	71,516	-	-	71,516	136,119
	1,755,130	-	-	1,755,130	2,239,856

Fund balances

Internally restricted - Invested in capital assets	44,345	-	-	44,345	51,045
Internally restricted - Reserve funds	-	777,551	656,390	1,433,941	641,591
	44,345	777,551	656,390	1,478,286	692,636
	\$ 1,799,475	\$ 777,551	\$ 656,390	\$ 3,233,416	\$ 2,932,492

On behalf of the Board:


Victor Zamin, Chair


Wajid Ali, Treasurer

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**United Way of Kitchener-Waterloo and Area
Statement of Fund Balances**

For the year ended December 31	2010			2009		
	Operating Fund	Stabilization / Emergency Fund	Supplemental Initiatives Fund	Total	Total	Total
Fund balances, beginning of year	\$ 51,045	\$ 592,114	\$ 49,477	\$ 692,636	\$ 640,034	
Net funds remaining (used) during the year	792,887	18,266	(64,694)	746,459	19,232	
Realized gain on disposal of investments transferred to the Statement of Operations	(3,192)	(3,129)	(261)	(6,582)	(18,440)	
Unrealized change in market value during the year of investments available for sale (Note 2)	35,003	9,940	830	45,773	51,810	
Inter-fund transfer (Note 5)	(831,398)	160,360	671,038	-	-	
Fund balances, end of year	\$ 44,345	\$ 777,551	\$ 656,390	\$ 1,478,286	\$ 692,636	
Balance of unrealized gains (losses) on investments included in closing fund balances	\$ 9,374	\$ 9,939	\$ 8,390	\$ 27,703	\$ (10,304)	

**United Way of Kitchener-Waterloo and Area
Statement of Operations**

For the year ended December 31	2010		2009	
	Operating Fund	Stabilization / Emergency Fund	Supplemental Initiatives Fund	Total
Revenue				
Resource development	\$ 5,366,711	\$ -	\$ -	\$ 5,366,711
Amortization of deferred contributions	150,437	-	-	150,437
Net investment income	25,394	18,266	1,394	45,054
Transfers from other United Ways	302,303	-	-	302,303
Transfers to other United Ways	(209,807)	-	-	(209,807)
Total revenue	5,635,038	18,266	1,394	5,654,698
Fundraising expenditures (Schedule 2)	786,366	-	-	786,366
Net revenue available for community investment	4,848,672	18,266	1,394	4,868,332
Community Investment Expenditures				
Community investment and program (Schedule 1)	3,905,348	-	-	3,905,348
Community initiatives	150,437	-	-	150,437
Strategic restructuring	-	-	66,088	66,088
	4,055,785	-	66,088	4,121,873
Net funds remaining (used) for the year	\$ 792,887	\$ 18,266	\$ (64,694)	\$ 746,459
				\$ 19,232

United Way of Kitchener-Waterloo and Area Statement of Cash Flows

For the year ended December 31	2010	2009
Cash flows from operating activities		
Net funds remaining for the year	\$ 746,459	\$ 19,232
Items not involving cash		
Amortization of capital assets	13,159	17,555
Amortization of deferred contributions	(150,437)	(31,965)
	<u>609,181</u>	<u>4,822</u>
 Changes in non-cash working capital balances		
Pledges receivable	26,908	(173,432)
Prepaid expenses	(14,975)	9,049
Accounts payable and accrued liabilities	88,822	(195,149)
Accrued donor designations	(103,546)	114,285
Deferred contributions - Campaign	(405,399)	24,755
	<u>200,991</u>	<u>(215,670)</u>
 Cash flows from investing activities		
Purchase of capital assets	(6,459)	(1,524)
Reinvested investment income	(43,429)	(64,303)
Proceeds on sale of investments	-	300,000
Purchase of investments	(700,000)	-
	<u>(749,888)</u>	<u>234,173</u>
 Cash flows from financing activities		
Receipt of deferred contributions	85,834	74,300
 Increase (decrease) in cash during the year	(463,063)	92,803
 Cash, beginning of year	851,622	758,819
 Cash, end of year	\$ 388,559	\$ 851,622

United Way of Kitchener-Waterloo and Area Summary of Significant Accounting Policies

December 31, 2010

Nature of Business

United Way of Kitchener-Waterloo and Area (United Way) is a non-profit, non-partisan, volunteer driven organization that engages in an effort to mobilize resources to support a broad range of non-profit human care services. It exists to improve the quality of life of all people in the Cities of Kitchener and Waterloo, and the Townships of Wellesley, Wilmot, and Woolwich by raising and investing money in services and programs that help meet human needs in our communities.

United Way operates according to the highest standards of conduct consistent with its commitment to volunteerism, integrity, accountability, accessibility, being apolitical and having respect for donors, service providers, and the users of services.

United Way is a charitable organization registered under the Income Tax Act of Canada and, as such, is exempt from income taxes.

Financial Statement Presentation

These financial statements have been prepared in accordance with the Transparency, Accountability and Financial Reporting Policies for United Ways ("TAFR") set forth by the United Way of Canada. These policies provide for consistent reporting and presentation of revenues and expenditures amongst all United Way organizations in Canada and provide a framework for the allocation of expenditures. Expenditures incurred by the organization are classified as fundraising, program, or administrative expenditures. Administrative expenditures are allocated to fundraising and to program expenditures based on actual activity.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Computer equipment	- 30 % diminishing balance basis
Office equipment	- 20 % diminishing balance basis

United Way of Kitchener-Waterloo and Area Summary of Significant Accounting Policies

December 31, 2010

Revenue Recognition

The organization holds several fundraising events annually, including a fall workplace campaign and a variety of special events and other functions.

Campaign pledges of the prior year uncollected at the balance sheet date are reported as pledges receivable if collection in the following year is reasonably assured. Uncollectible pledges are written off.

Campaign pledges from the fall campaign are intended to be revenue in the following year when the related community allocations and grants are made. As such, campaign pledges are considered restricted contributions and are recognized in the year following the applicable fall campaign.

Proceeds from special events and one-time donations are considered available for unrestricted use with the exception of donor designations.

Donor designations represent donations made by individuals and corporations which are designated to be distributed to other United Ways, Funded Agencies of United Way and/or other charitable organizations. Donor designations are paid to the designated agencies annually. Donor designated donations which have been collected in the current year but have not yet been paid to designated agencies are reported as accrued donor designations.

Revenue from special events is recognized upon occurrence of the event.

Investment income, Forever Fund income, and other income is recognized on the accrual basis as it is earned. Investment income earned is retained in the fund to which the investments are held.

Contributed Services

Volunteers contribute many hours per year to assist the organization in carrying out its service delivery activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

United Way of Kitchener-Waterloo and Area Summary of Significant Accounting Policies

December 31, 2010

Gifts in Kind

The organization benefits from substantial gifts in kind that include but are not limited to office occupancy, office equipment and office furniture. These financial statements do not reflect any revenue or expenditures related to gifts in kind.

Fund Accounting

The Board of Directors has created three internally restricted funds. These funds include an Operating Fund and two Reserve Funds. The Reserve Funds include the Stabilization / Emergency Fund and the Supplemental Initiatives Fund.

The purpose of the Operating Fund is to conduct annual fundraising campaigns to raise funds for distribution to the community and to cover fundraising and program expenditures. Any surplus generated by the Operating Fund is transferred to the Stabilization / Emergency Fund to the limits specified below, with the excess being transferred to the Supplemental Initiatives Fund. Any deficit experienced by the Operating Fund is recovered from the Stabilization / Emergency Fund to the extent that funds are available.

The purpose of the Stabilization / Emergency Fund is to supplement allocations to agencies when campaign revenues (collection of pledges) are depressed and/or to provide funding in the event of an emergency, such as natural or man-made disasters. The balance of the fund is not to exceed 15% of the average of total campaign revenue for the three-year period ended on the balance sheet date. The excess balance after the transfer to or from the operating fund, if any, is transferred to the Supplemental Initiatives Fund.

The purpose of the Supplemental Initiatives Fund is to provide funding for future initiatives. These may include, but are not limited to, the following purposes; bequest/endowment funds, United Way Capital fund, new initiatives, grants, agencies' capital campaigns, and guaranteed sustaining allocations when the annual campaign is lower than previous performances.

Use of Estimates

The preparation of financial statements in accordance 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 during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

United Way of Kitchener-Waterloo and Area Summary of Significant Accounting Policies

December 31, 2010

New Accounting Pronouncement

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the organization, are as follows:

Accounting Standards for Not-for-Profit Organizations

The Accounting Standards Board has recently approved generally accepted accounting principles (GAAP) for Not-for-Profit Organizations. Not-for-Profit Organizations will have the choice of adopting either International Financial Reporting Standards (IFRS) or GAAP for Not-for-Profit Organizations for year ends beginning on or after January 1, 2012. For organizations choosing to adopt GAAP for Not-for-Profit Organizations they would be allowed to early adopt for years ending on or after December 31, 2010. Until GAAP for Not-for-Profit Organizations is adopted, Not-for-Profit Organizations will continue to follow the current Canadian Institute of Chartered Accountants Handbook - Accounting.

United Way of Kitchener-Waterloo and Area Summary of Significant Accounting Policies

December 31, 2010

Financial instruments

It is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from their financial instruments. Transaction costs related to all financial instruments are expensed as incurred.

All transactions related to financial instruments are recorded on a settlement-date basis. The fair value of financial instruments are determined using published price quotations, where applicable.

The organization classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The organization's accounting policy for each category is as follows:

Held-for-trading

This category is comprised of cash and cash equivalents. They are carried in the balance sheet at fair value with changes in fair value recognized in the Statement of Operations.

Available-for-sale

This category is comprised of investments. They are carried on the Balance Sheet at fair market value with changes in fair value recognized in the Statement of Fund Balances.

Loans and receivables

This category includes pledges receivable. They are initially recognized at fair value and subsequently carried at face value less any provision for impairment.

Other financial liabilities

Other financial liabilities includes all financial liabilities and are comprised of accounts payable and accrued liabilities, accrued donor designations and deferred contributions. These liabilities are initially recognized at fair value and subsequently carried at face value plus any related accruals.

United Way of Kitchener-Waterloo and Area Notes to Financial Statements

December 31, 2010

1. Cash

The organization's bank account is held at one chartered bank. The bank account earns nominal interest.

2. Investments

	2010	2009
Money market funds and guaranteed investment certificates	\$ 1,061,670	\$ -
Fixed income mutual funds	937,310	1,245,546
Canadian equity mutual funds	168,311	139,125
	\$ 2,167,291	\$ 1,384,671

3. Capital Assets

	2010		2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 109,990	\$ 73,109	\$ 103,531	\$ 61,618
Office equipment	23,715	16,251	23,715	14,583
Leasehold improvements	-	-	2,258	2,258
	\$ 133,705	\$ 89,360	\$ 129,504	\$ 78,459
Net book value		\$ 44,345		\$ 51,045

Amortization expense for the year amounted to \$13,159 (2009 - \$17,555). Of the total, \$4,695 (2009 - \$2,631) was reported as an Administrative Expense on Schedule 4 and the balance of \$8,464 (2009 - \$14,924) was included in Trillium Grant Expenses on Schedule 4.

United Way of Kitchener-Waterloo and Area Notes to Financial Statements

December 31, 2010

4. Deferred Contributions

	Trillium Fund Grants	Other Programs	2010	2009
Balance, beginning of year	\$ 110,119	\$ 26,000	\$ 136,119	\$ 93,784
Contributions received	35,800	50,034	85,834	74,300
Amounts amortized to revenue	(128,162)	(22,275)	(150,437)	(31,965)
Balance, end of year	<u>\$ 17,757</u>	<u>\$ 53,759</u>	<u>\$ 71,516</u>	<u>\$ 136,119</u>

The use of the funds is restricted to the activities agreed upon by the organization and organizations providing the funding. Grants and other deferred contributions have been provided and used during 2010 for the following activities:

- Database system software
 - Resiliency Collaborative initiative
 - OLIVE Collaborative initiative
 - Research in the community
 - "Text to Give" program
 - Woman's "Giving Circle" grants
-

5. Inter-fund Transfer

The surplus realized by the Operating Fund was transferred to the Stabilization/Emergency Fund to the maximum balance permitted with the excess transferred to the Supplemental Initiatives Fund as described in the Summary of Significant Accounting Policies.

6. Commitments

The organization has an operating lease for its premises that expires on December 31, 2013. The lease includes monthly operating costs at an estimated rate of \$8,695 per month.

Estimated minimum annual lease payments for the term of the lease are:

2011	\$ 104,340
2012	104,340
2013	<u>104,340</u>
	<u>\$ 313,020</u>

United Way of Kitchener-Waterloo and Area Notes to Financial Statements

December 31, 2010

7. Capital Disclosure

The organization considers its capital to be its fund balances, restricted and unrestricted. Its restricted fund balances consist of amounts for designation to capital assets and reserve funds. The organization's objectives when managing capital are to safeguard its ability to continue as a going concern so it can continue to provide community investment and support through allocations, grants and programs. Annual budgets are developed and monitored to ensure the organization's capital is maintained at an appropriate level.

**United Way of Kitchener-Waterloo and Area
Schedule 1 - Community Investment and Program**

For the year ended December 31	2010	2009
Community Investment and Program:		
Community allocations	\$ 3,276,154	\$ 3,876,653
Donor designations	119,590	222,880
Project grants	39,000	45,849
Program expenditures:		
Salaries, wages and benefits	114,290	143,224
Research	26,013	28,000
Other expenses	11,577	15,409
	<u>3,586,624</u>	<u>4,332,015</u>
Allocation of administrative expenditures (Schedule 3)	<u>318,724</u>	<u>324,970</u>
Total community investment and program	\$ 3,905,348	\$ 4,656,985

**United Way of Kitchener-Waterloo and Area
Schedule 2 - Fundraising Expenditures**

For the year ended December 31	2010	2009
Fundraising expenditures:		
Direct mail and communication	\$ 4,478	\$ 7,848
Leadership recognition	26,765	18,497
Other expenses	2,841	2,696
Salaries, wages and benefits	191,284	292,330
Special events	62,081	54,390
Workplace campaign	8,132	35,456
	<u>295,581</u>	<u>411,217</u>
Total direct fundraising expenditures	<u>295,581</u>	<u>411,217</u>
Allocation of administrative expenditures (Schedule 3)	<u>490,785</u>	<u>535,403</u>
Total fundraising expenditures	\$ 786,366	\$ 946,620

**United Way of Kitchener-Waterloo and Area
Schedule 3 - Administrative Expenditures**

For the year ended December 31	2010	2009
Administrative expenditures:		
Administrative and office	\$ 36,751	\$ 30,626
Communication and technology	78,623	77,630
Facilities and equipment	114,967	105,062
Marketing and communications	11,700	25,511
Professional fees	10,868	12,064
Salaries, wages and benefits	501,416	540,902
Travel, automobile and community relations	13,125	28,686
United Way of Canada Affiliation Fees	42,059	39,892
Total administrative expenditures	809,509	860,373
Allocation to program expenditures (Schedule 1)	(318,724)	(324,970)
Allocation to fundraising expenditures (Schedule 2)	(490,785)	(535,403)
Total administrative expenditures	\$ -	\$ -