

Financial Statements of

**UNITED WAY CENTRAIDE
NORTH EAST ONTARIO /
NORD-EST DE L'ONTARIO**

Year ended December 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Members of United Way Centraide North East Ontario / Nord-est de l'Ontario

We have audited the accompanying financial statements of United Way Centraide North East Ontario / Nord-est de l'Ontario, which comprise the statement of financial position as at December 31, 2017, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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 we consider 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, United Way Centraide North East Ontario / Nord-est de l'Ontario derives most of its revenue from the general public in the form of donations, 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 United Way Centraide North East Ontario / Nord-est de l'Ontario and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenses and unrestricted net assets.

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 Centraide North East Ontario / Nord-est de l'Ontario as at December 31, 2017, 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada
April 11, 2018

UNITED WAY CENTRAIDE NORTH EAST ONTARIO / NORD-EST DE L'ONTARIO

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 193,741	\$ 232,296
Investments (note 2)	372,913	365,532
Pledges receivable:		
Current year's campaign	1,614,568	1,367,868
Prior year's campaign	97,465	61,464
Prepaid expenses	14,075	12,038
Other accounts receivable	57,611	43,718
	<u>2,350,373</u>	<u>2,082,916</u>
Funds on deposit (note 3)	24,811	24,811
Capital assets (note 4)	34,209	33,198
	<u>\$ 2,409,393</u>	<u>\$ 2,140,925</u>
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 166,719	\$ 118,097
Deferred revenue (note 5)	166,749	183,134
Current portion of long-term debt (note 6)	4,374	6,242
	<u>337,842</u>	<u>307,473</u>
Long-term debt (note 6)	-	4,374
Deferred capital contributions (note 7)	6,257	9,071
	<u>344,099</u>	<u>320,918</u>
Net assets:		
Unrestricted	1,939,061	1,766,947
Investment in capital assets	23,578	13,511
Internally restricted	102,655	39,549
	<u>2,065,294</u>	<u>1,820,007</u>
Commitments (note 9)		
	<u>\$ 2,409,393</u>	<u>\$ 2,140,925</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

UNITED WAY CENTRAIDE NORTH EAST ONTARIO / NORD-EST DE L'ONTARIO

Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Pledges made and cash donations	\$ 2,052,289	1,908,944
United Way Cochrane Temiskaming campaign	170,859	-
Pledge recovery	62,756	44,885
<u>Campaign revenue for financial reporting purposes</u>	<u>2,285,904</u>	<u>1,953,829</u>
Other revenue:		
One-time contribution - United Way Cochrane Temiskaming	133,710	-
Other income	68,985	28,032
Wolves United	63,106	-
Other programs	56,710	56,792
Grants	26,535	65,679
Interest income	8,486	8,670
Amortization of deferred capital contributions	2,814	4,133
	<u>2,646,250</u>	<u>2,117,135</u>
Expenses:		
Allocations and distribution of funds (Schedule)	1,275,458	1,407,423
Community investments (Schedule)	570,871	621,308
Fundraising (Schedule)	554,634	441,570
	<u>2,400,963</u>	<u>2,470,301</u>
Excess (deficiency) of revenue over expenses	\$ 245,287	(353,166)

See accompanying notes to financial statements.

UNITED WAY CENTRAIDE NORTH EAST ONTARIO / NORD-EST DE L'ONTARIO

Statement of Changes in Net Assets

Year ended December 31, 2017, with comparative information for 2016

	Unrestricted	Investment in Capital Assets	Internally Restricted	2017	2016
Net assets, beginning of year	\$ 1,766,947	13,511	39,549	1,820,007	2,173,173
Excess (deficiency) of revenue over expenses	187,709	(5,528)	63,106	245,287	(353,166)
Transfers	(15,595)	15,595	-	-	-
Net assets, end of year	\$ 1,939,061	23,578	102,655	2,065,294	1,820,007

See accompanying notes to financial statements.

UNITED WAY CENTRAIDE NORTH EAST ONTARIO / NORD-EST DE L'ONTARIO

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 245,287	\$ (353,166)
Items not involving cash:		
Amortization of capital assets	8,342	9,593
Amortization of deferred capital contributions	(2,814)	(4,133)
	250,815	(347,706)
Changes in non-cash operating working capital:		
Decrease (increase) in pledges receivable:		
Current year's campaign	(246,700)	150,458
Prior year's campaign	(36,001)	(33,921)
Increase in prepaid expenses	(2,037)	(5,868)
Decrease (increase) in other accounts receivable	(13,893)	20,200
Increase in accounts payable and accrued liabilities	48,622	40,406
Decrease in deferred revenue	(16,385)	(98,802)
	(15,579)	(275,233)
Financing:		
Increase in long-term debt	-	12,678
Principal repayments on long-term debt	(6,242)	(2,062)
	(6,242)	10,616
Investing:		
Purchase of capital assets	(9,353)	(12,678)
Proceeds on sale of investments	360,000	570,866
Purchase of investments	(367,381)	(363,226)
	(16,734)	194,962
Net decrease in cash and investments	(38,555)	(69,655)
Cash, beginning of year	232,296	301,951
Cash, end of year	\$ 193,741	\$ 232,296

See accompanying notes to financial statements.

UNITED WAY CENTRAIDE NORTH EAST ONTARIO / NORD-EST DE L'ONTARIO

Notes to Financial Statements

Year ended December 31, 2017

Nature of operations:

United Way Centraide North East Ontario / Nord-est de l'Ontario (the "Organization") is incorporated without share capital under the laws of Ontario and its principal activities include the continued financial support to member charitable organizations in the Sudbury and Nipissing districts through public contributions from annual fundraising campaigns. It is a registered charity and is therefore exempt from income tax under Section 149 of the Federal Income Tax Act.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Organization's significant accounting policies are as follows:

(a) Revenue recognition:

- i) The Organization follows the deferral method for accounting and contributions.
- ii) Non-designated campaign pledges and contributions are recognized on an accrual basis, provided the amounts can be reasonably estimated and collection is reasonably assured.
- iii) Campaign contributions designated by donors are reported as deferred revenue on the statement of financial position until the amounts are paid to the designated organizations, at which time the amount of the campaign contribution is recorded as campaign revenue.
- iv) Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.
- v) Fundraising restricted for certain programs are recognized on an accrual basis and are recorded as revenue in the period the related expenses are incurred.

(b) Temporary investments:

Temporary investments are comprised of fixed income investments and mutual funds, which are highly liquid and are carried at fair value.

UNITED WAY CENTRAIDE NORTH EAST ONTARIO / NORD-EST DE L'ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies:

(c) Capital assets:

Capital assets are recorded at cost when a capital asset no longer contributes to United Way's ability to provide services its carrying amount is written down to its residual value. Amortization is provided on the following basis and annual rates:

Asset	Basis	Rate
Leasehold improvements	Declining-balance	10%
Furniture and fixtures	Declining-balance	20%
Computer equipment	Declining-balance	20%
Computer software	Declining-balance	33%

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and 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. The Organization has elected to carry temporary investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

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 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 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.

(e) 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Items subject to such estimates and assumptions include the carrying value of capital assets and valuation allowances for pledges and accounts receivable. Actual results could differ from those estimates. These estimates, are reviewed periodically and, as adjustments become necessary, they are reported in the surplus or deficit in the year in which they become known.

UNITED WAY CENTRAIDE NORTH EAST ONTARIO / NORD-EST DE L'ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(f) Contributed materials and services:

A substantial number of volunteers contributed a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements. In addition, the value of contributed materials is not recognized in the financial statements. Since these contributed materials and services are not purchased nor charged by United Way, they are not recognized in these financial statements.

(g) Calculation of cost revenue ratios:

In accordance with United Way Canada's Transparency, Accountability and Financial Reporting policies, the Organization uses the following method to calculate cost revenue ratio's ("CRR"):

	2017	2016
Total revenue for CRR calculation	\$ 2,646,250	2,117,135

	2017	2016
Breakdown of fundraising expenses on statement of operations:		
Direct fundraising expenses	\$ 510,034	406,570
General management and administrative expenses	44,600	35,000
Total fundraising expenses	\$ 554,634	441,570

	2017	2016
Direct fundraising expenses as a percentage of total revenue	19.2%	19.1%
General management and administrative expenses as a percentage of total revenue	1.6%	1.7%
Total fundraising expenses as a percentage of total revenue	20.8%	20.8%

UNITED WAY CENTRAIDE NORTH EAST ONTARIO / NORD-EST DE L'ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(h) Allocation of expenses:

General management and administrative expenses are allocated between fundraising expenses and allocations and needs assessment based on effort.

General management and administrative expenses are allocated as follows:

	2017	2016
Fundraising	50%	50%
Allocations and needs assessment	50%	50%

2. Investments:

The Organization investments consist of guaranteed investment certificates with interest rates ranging from 1.30% to 1.81% and maturity dates ranging from March 7, 2018 to December 5, 2018. The cost of the investments are \$367,713 (2016 - \$361,963).

3. Funds on deposit:

	2017	2016
Funds held by the Sudbury Community Foundation:		
Tomorrow Fund	\$ 24,811	24,811

On May 1, 1997, the Organization invested funds into the Tomorrow Fund with the Sudbury Community Foundation. The principal amount invested was \$24,811 and all interest earned has been accrued in accounts receivable each year. The Organization has the ability to demand repayment of the principal amount invested, as well as the interest earned to date at any point in time. Total interest of \$15,843 (2016 - \$14,738) is included within accounts receivable.

4. Capital assets:

	2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 25,417	24,513	904	1,130
Computer equipment and software	170,261	147,796	22,465	20,024
Leasehold improvements	12,678	1,838	10,840	12,044
	\$ 208,356	174,147	34,209	33,198

UNITED WAY CENTRAIDE NORTH EAST ONTARIO / NORD-EST DE L'ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2017

5. Deferred revenue:

Deferred revenue consists of the following amounts:

- (a) Campaign pledges from donors that are designated to non-member agencies. The pledges are deferred until such time as the funds are received from the donor and paid to the non-member agencies.
- (b) Unexpended government funding that is available to fund future expenses.

The balance of deferred revenue is as follows:

	2017	2016
Designated campaign pledges	\$ 154,928	169,380
Other deferred revenue	11,821	13,754
	\$ 166,749	183,134

6. Long-term debt:

	2017	2016
Long-term debt owing to landlord	\$ 4,374	10,616
Less current portion of long-term debt	4,374	6,242
	\$ —	4,374

The long-term debt relates to a construction loan and requires payments over a two year period, maturing on August 1, 2018 is unsecured, bears an interest rate of 6% and is repayable in monthly installments of \$559. Principal repayments of \$4,375 are due throughout 2018.

7. Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized balance of grants received for capital assets acquisitions. Details of the continuity of this balance are as follows:

	2017	2016
Balance, beginning of year	\$ 9,071	13,204
Less amounts amortized to revenue	(2,814)	(4,133)
Balance, end of year	\$ 6,257	9,071

UNITED WAY CENTRAIDE NORTH EAST ONTARIO / NORD-EST DE L'ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2017

8. Invested in capital assets:

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

	2017	2016
Capital assets	\$ 34,209	33,198
Amounts financed by:		
Deferred contributions	(6,257)	(9,071)
Long-term debt	(4,374)	(10,616)
	\$ 23,578	13,511

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

	2017	2016
Excess of revenue over expenses:		
Amortization of deferred contributions related to capital assets	\$ 2,814	4,133
Amortization of capital assets	(8,342)	(9,593)
	\$ (5,528)	(5,460)
Net change in investment in capital assets:		
Purchases of capital assets	\$ 9,353	12,678
Repayment of long-term debt	6,242	(2,062)
	\$ 15,595	10,616

9. Commitments:

The Organization is committed to payments under an operating lease for the Sudbury, North Bay and Timmins premises through December 31, 2017 as follows:

2018	\$ 46,361
2019	47,550
2020	47,550
2021	52,305
2022	53,900
Thereafter	175,142

UNITED WAY CENTRAIDE NORTH EAST ONTARIO / NORD-EST DE L'ONTARIO

Notes to Financial Statements (continued)

Year ended December 31, 2017

10. Financial risks and concentration of risk:

(a) Credit risk:

Credit risk refers to the risk that a counterpart may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to the accounts receivable. The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for pledge losses.

(b) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2016.

11. Amalgamation with United Way Cochrane Temiskaming:

On April 1, 2017, United Way Cochrane Temiskaming amalgamated with United Way Sudbury Nipissing, creating the United Way North East Ontario. Upon amalgamation, United Way Cochrane Temiskaming transferred cash of \$133,710 to the newly named United Way North East Ontario.

UNITED WAY CENTRAIDE NORTH EAST ONTARIO NORD-EST DE L'ONTARIO

Schedule of Allocations and Distribution of Funds

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Member Agency Programs:		
John Howard Society of Sudbury	\$ 114,400	\$ 89,398
Sudbury Family YMCA	99,450	120,401
Elizabeth Fry Society, Sudbury Branch	79,500	70,446
Better Beginnings Better Futures	64,600	79,658
Big Brothers Big Sisters Association of Greater Sudbury	52,000	54,782
Sudbury Action Centre for Youth	50,500	115,560
March of Dimes	49,800	30,000
Canadian National Institute for the Blind (CNIB)	46,500	51,127
Learning Disabilities Association	46,127	64,778
Centre de Santé Communautaire	41,760	46,058
Voices for Women - Health Sciences North	38,250	45,000
L'Association des jeunes de la rue-Foyer Notre Dame	34,000	40,614
Maison McCulloch Hospice	29,750	38,175
St. John Ambulance	25,675	36,250
Le Carrefour Francophone de Sudbury	25,500	30,097
Canadian Red Cross Society	21,990	115,425
Meals on Wheels	21,250	25,000
Manitoulin Family Resources Inc.	19,100	70,000
Sudbury Multicultural Folk Arts Association	12,325	14,500
Timmins Learning Center	11,700	-
Nipissing Association for Disabled Youth	11,415	10,500
Canadian Hearing Society	9,900	34,200
North Shore Search and Rescue	9,900	-
Inner City Home	8,500	10,110
Credit Counselling Services	8,500	-
Sudbury Theatre Centre	8,136	-
Aids Committee of North Bay	8,000	5,250
Temiskaming Elder Abuse	5,550	-
Community Living	5,500	-
Amalguin Adult Learning Centre	5,000	-
James Bay Association for Community Living	5,000	-
St. Peters On-The-Rock	3,950	-
Anti Hunger Coalition	3,500	-
Chapleau General Hospital Foundation	3,500	-
Access Better Living Inc	3,000	-
NEO Kids Foundation	2,500	-
Packsack Smiles Organization	2,155	-
Whitestone After School Program	2,000	-
Jubilee Heritage Family Resource	1,700	2,000
Iroquois Falls Access Transit Committee	1,350	-
Community Homeownership Action Group	1,000	-
Iroquois Falls Pre-School Centre	1,000	-
Nipissing District Community Home Ownership Action	1,000	-
Partners for Employment Centre	1,000	-
Powassan and District Public Library	1,000	-
Services a la Jeunesse de Hearst	1,000	-
Parry Sound Harvest Share	967	-
Iroquois Falls Public Library Board	650	-
Literacy Council of South Temiskaming	500	-
Sudbury District Restorative Justice	-	14,452
Low Income People Involvement of Nipissing	-	13,000
	1,001,350	1,226,781
Other:		
Designations to non-member agencies	250,858	177,734
Wolves United Grants	23,250	-
Community Grants	-	1,000
Other	-	1,908
	274,108	180,642
	\$ 1,275,458	\$ 1,407,423

UNITED WAY CENTRAIDE NORTH EAST ONTARIO / NORD-EST DE L'ONTARIO

Schedule of Expenses

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Community Investments:		
Salaries and employee benefits	\$ 371,522	\$ 332,075
Rent:		
Sudbury	58,189	46,325
North Bay	5,645	7,505
Timmins	2,708	-
Other programs	43,419	104,423
Office supplies and general	22,030	65,429
Computer services	9,769	11,393
Professional fees	9,306	10,868
Conference and travel	8,734	5,683
United Way of Canada fees	8,730	10,787
Leadership development programs	8,693	6,504
Aboriginal project	7,874	7,730
Equipment rental	4,952	5,189
Amortization of capital assets	4,171	4,796
Insurance	3,234	1,577
Postage and shipping	1,895	1,024
	\$ 570,871	\$ 621,308
Fundraising:		
Salaries and employee benefits	\$ 301,816	\$ 325,354
Rent:		
Sudbury	58,189	25,145
North Bay	5,645	4,074
Timmins	2,708	-
50/50 expenses	51,387	-
Office supplies and general	45,375	15,471
Campaign promotion and supplies	36,263	20,483
Conference and travel	20,962	18,055
Professional fees	9,306	10,868
United Way of Canada fees	8,730	10,786
Equipment rental	4,952	3,936
Amortization of capital assets	4,171	4,797
Insurance	3,234	1,577
Postage and shipping	1,896	1,024
	\$ 554,634	\$ 441,570