

Financial Statements of

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

Year ended December 31, 2018



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INDEPENDENT AUDITORS' REPORT

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

Qualified Opinion

We have audited the financial statements of United Way Centraide North East Ontario / Nord-est de l'Ontario (the "Entity"), 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
- the statement of cash flows for the year then ended
- and the 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 paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many 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.

Our opinion on the financial statements for the year ended December 31, 2018 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 responsibility 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 the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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.

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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 risk 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, internal 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 purposes of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to the events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 the Entity's 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada
April 17, 2019

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

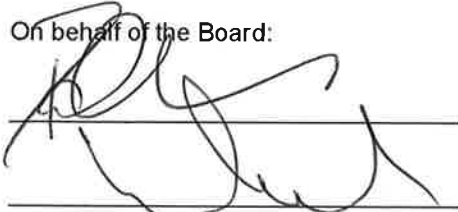
Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 357,270	\$ 193,741
Investments (note 2)	377,581	372,913
Pledges receivable:		
Current year's campaign	1,723,658	1,614,568
Prior year's campaign	24,460	97,465
Prepaid expenses	12,964	14,075
Other accounts receivable	78,813	57,611
	2,574,746	2,350,373
Funds on deposit	-	24,811
Capital assets (note 3)	27,138	34,209
	\$ 2,601,884	\$ 2,409,393
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 503,796	\$ 166,719
Deferred revenue (note 4)	244,302	166,749
Current portion of long-term debt	-	4,374
	748,098	337,842
Deferred capital contributions (note 5)	4,336	6,257
	752,434	344,099
Net assets:		
Unrestricted	1,778,380	1,939,061
Investment in capital assets	22,802	23,578
Internally restricted	48,268	102,655
	1,849,450	2,065,294
Commitments (note 7)		
	\$ 2,601,884	\$ 2,409,393

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, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Pledges made and cash donations	\$ 2,205,718	2,052,289
United Way Cochrane Temiskaming campaign	-	170,859
Pledge recovery (loss)	(157,057)	62,756
Campaign revenue for financial reporting purposes	2,048,661	2,285,904
Other revenue:		
Stars & Thunder	132,361	-
Wolves United	104,361	63,106
Other programs	78,154	56,710
Other income	74,289	68,985
Grants	16,127	26,535
Interest income	4,678	8,486
Amortization of deferred capital contributions	1,921	2,814
One-time contribution - United Way Cochrane Temiskaming	-	133,710
	2,460,552	2,646,250
Expenses:		
Allocations and distribution of funds (Schedule)	1,257,060	1,275,458
Community investments (Schedule)	662,274	526,271
Fundraising (Schedule)	620,679	510,034
General (Schedule)	136,383	89,200
	2,676,396	2,400,963
Excess (deficiency) of revenue over expenses	\$ (215,844)	245,287

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, 2018, with comparative information for 2017

	Unrestricted	Investment in Capital Assets	Internally Restricted	2018	2017
Net assets, beginning of year	\$ 1,939,061	23,578	102,655	2,065,294	1,820,007
Excess (deficiency) of revenue over expenses	(218,106)	(5,150)	7,412	(215,844)	245,287
Transfers	57,425	4,374	(61,799)	-	-
Net assets, end of year	\$ 1,778,380	22,802	48,268	1,849,450	2,065,294

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, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (215,844)	\$ 245,287
Items not involving cash:		
Amortization of capital assets	7,072	8,342
Amortization of deferred capital contributions	(1,921)	(2,814)
	<u>(210,693)</u>	<u>250,815</u>
Changes in non-cash operating working capital:		
Increase in pledges receivable:		
Current year's campaign	(109,090)	(246,700)
Prior year's campaign	73,005	(36,001)
Decrease (increase) in prepaid expenses	1,111	(2,037)
Increase in other accounts receivable	(21,202)	(13,893)
Increase in accounts payable and accrued liabilities	337,077	48,622
Increase (decrease) in deferred revenue	77,553	(16,385)
	<u>147,761</u>	<u>(15,579)</u>
Financing:		
Principal repayments on long-term debt	(4,374)	(6,242)
	<u>(4,374)</u>	<u>(6,242)</u>
Investing:		
Purchase of capital assets	-	(9,353)
Proceeds on sale of investments	24,811	360,000
Purchase of investments	(4,669)	(367,381)
	<u>20,142</u>	<u>(16,734)</u>
Net increase (decrease) in cash and investments	163,529	(38,555)
Cash, beginning of year	193,741	232,296
Cash, end of year	<u>\$ 357,270</u>	<u>\$ 193,741</u>

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, 2018

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, donations and contributions restricted for certain programs are recognized on an accrual basis and are recorded as revenue in the period the related expenses are incurred.

(b) Investments:

Temporary investments are comprised of fixed income investments and mutual funds, which 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, 2018

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, 2018

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"):

	2018	2017
Total revenue for CRR calculation	\$ 2,460,552	2,646,250

	2018	2017
Breakdown of fundraising expenses on statement of operations:		
Direct fundraising expenses	\$ 620,679	510,034
General management and administrative expenses	68,192	44,600
Total fundraising expenses	\$ 688,871	554,634

	2018	2017
Direct fundraising expenses as a percentage of total revenue	25.2%	19.2%
General management and administrative expenses as a percentage of total revenue	2.8%	1.6%
Total fundraising expenses as a percentage of total revenue	28.0%	20.8%

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

Notes to Financial Statements (continued)

Year ended December 31, 2018

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:

	2018	2017
Fundraising	50%	50%
Allocations and needs assessment	50%	50%

2. Investments:

The Organization investments consist of guaranteed investment certificates with interest rates ranging from 2.20% to 2.34% and maturity dates ranging from March 14, 2019 to September 10, 2019. The cost of the investments are \$373,144 (2017 - \$367,713), with their respective market values being \$377,581 (2017 - \$372,913).

3. Capital assets:

		2018	2017
	Cost	Accumulated amortization	Net book value
Furniture and fixtures	\$ 25,417	24,694	723
Computer equipment and software	170,261	153,602	16,659
Leasehold improvements	12,678	2,922	9,756
	\$ 208,356	181,218	27,138
			34,209

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

Notes to Financial Statements (continued)

Year ended December 31, 2018

4. 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:

	2018	2017
Designated campaign pledges	\$ 187,421	154,928
Other deferred revenue	56,881	11,821
	\$ 244,302	166,749

5. 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:

	2018	2017
Balance, beginning of year	\$ 6,257	9,071
Less: amounts amortized to revenue	(1,921)	(2,814)
Balance, end of year	\$ 4,336	6,257

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

Notes to Financial Statements (continued)

Year ended December 31, 2018

6. Invested in capital assets:

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

	2018	2017
Capital assets	\$ 27,138	34,209
Amounts financed by:		
Deferred contributions	(4,336)	(6,257)
Long-term debt	—	(4,374)
	\$ 22,802	23,578

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

	2018	2017
Excess of revenue over expenses:		
Amortization of deferred contributions related to capital assets	\$ 1,921	2,814
Amortization of capital assets	(7,071)	(8,342)
	\$ (5,150)	(5,528)
Net change in investment in capital assets:		
Purchases of capital assets	\$ —	9,353
Repayment of long-term debt	4,374	6,242
	\$ 4,374	15,595

7. Commitments:

The Organization is committed to payments under an operating lease for the Sudbury, North Bay and Timmins premises through March 31, 2026 as follows:

2019	\$ 69,724
2020	69,724
2021	67,279
2022	62,625
2023	53,890
Thereafter	121,252

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

Notes to Financial Statements (continued)

Year ended December 31, 2018

8. 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 2017.

9. Comparative information:

Certain 2017 comparative information has been reclassified to ensure consistency with the presentation adopted in the current year.

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

Schedule of Allocations and Distribution of Funds

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

	2018	2017
Member Agency Programs:		
John Howard Society of Sudbury	\$ 88,750	\$ 114,400
Centre de Santé Communautaire	73,760	41,760
Better Beginnings Better Futures	59,349	64,600
Elizabeth Fry Society, Sudbury Branch	59,000	79,500
Sudbury Family YMCA	50,772	99,450
Learning Disabilities Association	44,184	46,127
March of Dimes	43,099	49,800
Big Brothers Big Sisters Association of Greater Sudbury	38,178	52,000
YWCA Sudbury	35,675	-
St. John Ambulance	30,000	25,675
Maison McCulloch Hospice	29,750	29,750
L'Association des jeunes de la rue-Foyer Notre Dame	25,665	34,000
Sudbury Action Centre for Youth	24,335	50,500
Meals on Wheels	21,250	21,250
Anti Hunger Coalition	20,160	3,500
Le Carrefour Francophone de Sudbury	19,137	25,500
North Eastern Ontario Children's Foundation	15,980	-
The Gathering Place	11,300	-
Hospice West Parry Sound	9,700	-
District of parry Sound Employment Services	9,000	-
Inner City Home	8,500	8,500
Nipissing Association for Disabled Youth	7,400	11,415
Amalguin Adult Learning Centre	6,700	5,000
Timmins Learning Center	5,000	11,700
Community Living Timmins	5,000	-
James Bay Association for Community Living	4,320	5,000
Access Better Living Inc	4,200	3,000
St. Peters On-The-Rock	4,000	3,950
Chapleau General Hospital Foundation	3,500	3,500
Seizure and Brain Injury Centre	3,000	-
Powassan and District Public Library	2,679	1,000
Voices for Women - Health Sciences North	2,353	38,250
Harvest Share Community Food Programs	2,128	-
Iroquois Falls Access Transit Committee	2,000	1,350
Canadian Red Cross North Bay	1,500	-
Jubilee Heritage Family Resource	1,275	1,700
Iroquois Falls Public Library Board	1,000	650
Literacy Council of South Temiskaming	1,000	500
Partners for Employment Centre	500	1,000
Canadian National Institute for the Blind (CNIB)	-	46,500
Canadian Red Cross Society	-	21,990
Manitoulin Family Resources Inc	-	19,100
Sudbury Multicultural Folk Arts Association	-	12,325
Canadian Hearing Society	-	9,900
North Shore Search and Rescue	-	9,900
Credit Counselling Services	-	8,500
Sudbury Theatre Centre	-	8,136
Aids Committee of North Bay	-	8,000
Temiskaming Elder Abuse	-	5,550
Community Living	-	5,500
NEO Kids Foundation	-	2,500
Packsack Smiles Organization	-	2,155
Whitestone After School Program	-	2,000
Community Homeownership Action Group	-	1,000
Iroquois Falls Pre-School Centre	-	1,000
Nipissing District Community Home Ownership Action	-	1,000
Services a la Jeunesse de Hearst	-	1,000
Parry Sound Harvest Share	775,099	1,001,350
Other:		
Designations to non-member agencies	252,651	250,858
Stars & Thunder Grants	132,361	-
Wolves United Grants	96,949	23,250
	481,961	274,108
	\$ 1,257,060	\$ 1,275,458

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

Schedule of Expenses

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

	2018	2017
General:		
Salaries and employee benefits	\$ 136,383	\$ 89,200
	\$ 136,383	\$ 89,200
Community Investments:		
Salaries and employee benefits	\$ 421,595	\$ 326,922
Rent:		
Sudbury	63,919	58,189
North Bay	8,478	5,645
Timmins	3,900	2,708
Other programs	52,085	43,419
Office supplies and general	34,994	22,030
Aboriginal project	13,091	7,874
Conference and travel	10,942	8,734
Computer services	10,413	9,769
United Way of Canada fees	10,357	8,730
Professional fees	9,884	9,306
Leadership development programs	8,318	8,693
Equipment rental	4,841	4,952
Insurance	3,746	3,234
Amortization of capital assets	3,536	4,171
Postage and shipping	2,175	1,895
	\$ 662,274	\$ 526,271
Fundraising:		
Salaries and employee benefits	\$ 361,090	\$ 257,216
Rent:		
Sudbury	63,919	58,189
North Bay	8,478	5,645
Timmins	3,900	2,708
50/50 expenses	71,121	51,387
Office supplies and general	40,947	45,375
Campaign promotion and supplies	25,739	36,263
Conference and travel	10,946	20,962
United Way of Canada fees	10,357	8,730
Professional fees	9,884	9,306
Equipment rental	4,841	4,952
Insurance	3,746	3,234
Amortization of capital assets	3,536	4,171
Postage and shipping	2,175	1,896
	\$ 620,679	\$ 510,034

