

United Way of Sault Ste. Marie & District
Financial Statements
For the year ended March 31, 2017

Contents

Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Schedule 1 - Campaign Expenses	12
Schedule 2 - Agency Program Payments and Developmental Grants	13
Schedule 3 - Volunteer Sault Ste. Marie	14
Schedule 4 - General and Administrative Expenses	15
Schedule 5 - Community Assistance Trust Program	16



Tel: 705 945 0990
Fax: 705 942 7979
Toll-Free: 800 520 3005
www.bdo.ca

BDO Canada LLP
747 Queen Street E
PO Box 1109
Sault Ste. Marie ON P6A 5N7 Canada

Independent Auditor's Report

To the Directors and Members of United Way of Sault Ste. Marie & District

We have audited the accompanying financial statements of the United Way of Sault Ste. Marie & District, which comprise the statement of financial position as at March 31, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donations and fundraising events, 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. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, and cash flows from operations for the years ended March 31, 2017 and 2016, and current assets as at March 31, 2017 and 2016 and net assets as at April 1 and March 31 for both the 2017 and 2016 years. Our audit opinion on the financial statements for the year ended March 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion, the financial statements present fairly, in all material respects, the financial position of the United Way of Sault Ste. Marie & District as at March 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Ontario
June 21, 2017

United Way of Sault Ste. Marie & District Statement of Financial Position

March 31

2017

2016

	General Fund	Stabilization Fund	Endowment Fund	Solution Council Trust Fund	Community Assistance Trust Fund	Total
Assets						
Current						
Cash	\$ -	\$ -	\$ 50,470	\$ 2,266	\$ 4,112	\$ 56,848
Temporary investments	-	-	1,090,231	-	-	1,090,231
Pledges receivable (Note 3)	444,193	-	-	-	-	444,193
Interfund balances (Note 4)	(33,048)	-	10,977	21,863	188	-
Other receivables	40,850	-	-	-	45,700	86,550
Inventory of artwork	-	-	8,945	-	-	8,945
Prepaid expense	10,862	-	-	-	-	10,862
Capital (Note 6)	462,857	-	1,160,623	24,149	50,000	1,687,280
	27,474	-	-	-	-	27,474
	\$ 490,331	\$ -	\$ 1,160,623	\$ 24,149	\$ 50,000	\$ 1,725,103
Liabilities and Fund Balances						
Liabilities						
Bank indebtedness (Note 5)	\$ 134,540	\$ -	\$ -	\$ -	\$ -	\$ 134,540
Accounts payable and accrued liabilities	29,049	-	-	22,500	-	51,549
Government remittances payable	10,944	-	-	-	-	10,944
Allocations payable	334,600	-	-	-	-	334,600
	509,133	-	-	22,500	-	531,633
Deferred revenue						
Deferred campaign revenues	50,446	-	-	-	-	50,446
Deferred revenue - other	8,161	-	-	1,649	-	9,810
DSSAB advance	-	-	-	-	50,000	50,000
	58,607	-	-	1,649	50,000	110,256
	567,740	-	-	24,149	50,000	641,889
Fund balances						
Externally restricted	-	-	50,000	-	-	50,000
Internally restricted	-	-	1,110,623	-	-	1,110,623
General fund deficit	(77,409)	-	-	-	-	(77,409)
	(77,409)	-	1,160,623	-	-	1,083,214
	\$ 490,331	\$ -	\$ 1,160,623	\$ 24,149	\$ 50,000	\$ 1,725,103
						\$ 1,702,232

On behalf of the Board:

[Signature]

President

[Signature]

Chief Executive Officer

The accompanying notes are an integral part of these financial statements.

United Way of Sault Ste. Marie & District
Statement of Changes in Net Assets

	2017					2016	
	General Fund	Stabilization Fund	Endowment Fund	Solution Council Trust Fund	Community Assistance Trust Fund	Total	Total
Fund balance, beginning of year	\$ (2,671)	\$ -	\$ 1,084,217	\$ -	\$ -	\$ 1,081,546	\$ 1,302,814
Excess (deficiency) of revenue over expenses	129,045	-	80,326	(41,433)	(166,270)	1,668	(221,268)
Inter-fund transfers (Note 7)	(203,783)	-	(3,920)	41,433	166,270	-	-
Fund balance, end of year	\$ (77,409)	\$ -	\$ 1,160,623	\$ -	\$ -	\$ 1,083,214	\$ 1,081,546

**United Way of Sault Ste. Marie & District
Statement of Operations**

For the year ended March 31

2017 2016

	General Fund	Stabilization Fund	Endowment Fund	Solution Council Trust Fund	Community Assistance Trust Fund	Total	Total
Revenue							
Campaign revenue	\$ 812,517	\$ -	\$ -	\$ -	\$ -	\$ 812,517	\$ 935,422
Centralized campaign	188,181	-	-	-	-	188,181	244,933
Prior year campaign revenues	14,913	-	-	-	-	14,913	34,279
Uncollectible pledges - current	(50,000)	-	-	-	-	(50,000)	(50,000)
Uncollectible pledges - prior	-	-	-	-	-	-	(230,000)
Government grants	88,023	-	-	-	603,852	691,875	773,589
Miscellaneous	18,621	-	52,936	-	19,065	90,622	44,889
Investment income	-	-	51,552	-	-	51,552	14,372
	1,072,255	-	104,488	-	622,917	1,799,660	1,767,484
Expenses							
Fundraising expenses							
Campaign expenses (Sch. 1)	302,511	-	-	-	-	302,511	264,582
Special events	14,434	-	18,433	-	-	32,867	33,322
Program expenses							
Agency program payments and developmental grants (Sch. 2)	347,796	-	-	-	-	347,796	422,982
Volunteer Sault Ste. Marie (Sch. 3)	253,778	-	-	-	-	253,778	285,372
Community Assistance	-	-	-	-	789,187	789,187	767,250
Trust Program (Sch. 5)	24,691	-	-	-	-	24,691	28,912
Agency services	-	-	3,500	40,362	-	43,862	87,484
Special projects	-	-	27,148	1,071	-	28,219	57,278
Administration	943,210	-	49,081	41,433	789,187	1,822,911	1,947,182
	129,045	-	55,407	(41,433)	(166,270)	(23,251)	(179,698)
Change in unrealized gain (loss) on investments							
	-	-	24,919	-	-	24,919	(41,570)
Excess (deficiency) of revenue over expenses	\$ 129,045	\$ -	\$ 80,326	\$ (41,433)	\$ (166,270)	\$ 1,668	\$ (221,268)

**United Way of Sault Ste. Marie & District
Statement of Cash Flows**

For the year ended March 31	2017	2016
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses	\$ 1,668	\$ (221,268)
Amortization of capital assets	6,178	5,016
Change in unrealized (gain) loss on investments	(24,919)	41,570
	<u>(17,073)</u>	<u>(174,682)</u>
Changes in non-cash working capital balances		
Pledges receivable	(2,104)	279,805
Other receivables	1,928	21,321
Prepaid expense	(4,391)	(1,629)
Accounts payable and accrued liabilities	(8,370)	20,614
Government remittances payable	(360)	(396)
Allocations payable	(118,284)	(159,495)
Payable to outside United Way Agencies	-	(41,808)
Deferred net campaign revenues	(4,831)	(19,353)
Deferred revenue - other	(31,493)	15,000
DSSAB advance	50,000	-
	<u>(134,978)</u>	<u>(60,623)</u>
Cash flows from investing activities		
Purchase of capital assets	(18,700)	-
Decrease (increase) in investments	(44,608)	46,868
	<u>(63,308)</u>	<u>46,868</u>
Cash flows from financing activities		
Increase in bank indebtedness	134,540	-
	<u>134,540</u>	<u>-</u>
Net decrease in cash during the year	(63,746)	(13,755)
Cash, beginning of year	120,594	134,349
Cash, end of year	\$ 56,848	\$ 120,594

United Way of Sault Ste. Marie & District

Notes to Financial Statements

March 31, 2017

1. Significant accounting policies

- Nature of Operations** The United Way of Sault Ste. Marie and District (the "Agency") is a public foundation incorporated under the laws of Ontario and its primary purpose is to raise funds through public donations and provide financial support to recognized charities and benevolent organizations. The Agency is a registered charity under the Income Tax Act and accordingly is exempt from income taxes under section 149(1)(f) of the Act.
- Basis of Accounting** These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profits.
- Revenue Recognition** The Agency follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are reported as direct increases in net assets in the year in which they are received.
- Pledges receivable are recorded based on management's best estimate of pledges to be received from the campaign.
- Campaign revenues applicable to the annual campaign, which commences in September, are recognized as revenue in the year the campaign occurs. Designated donations that are restricted are deferred and recognized as revenue in the year in which the donation disbursement occurs.
- Interest income is recorded as earned.
- Fund Accounting** The agency accounts for its activities in the following six separate funds:
- General fund:** All Agency allocations and regular activities are transacted within this fund. If there is a surplus in this fund at the end of the year it is transferred to the Stabilization Fund or an appropriate fund authorized by the Board of Directors and if there is a deficit, funds are transferred from the Stabilization Fund to eliminate the deficit.
- Stabilization fund:** This fund was established to offset annual campaign fluctuations and help supplement allocations for general operating needs. The fund should average 50% (+/- 5%) of the most recent campaign achievement or approved operating needs. If the Stabilization Fund balance falls below 45%, it should be refunded from campaign revenues not to exceed \$50,000 per year. Any excess could either be held for agencies' appeals or for new initiatives addressing community priority issues.
- Endowment fund:** The complete name of this fund is the Community Endowment Fund and it was established to receive bequests and contributions, separate from the annual campaign. The income from externally restricted funds is subject to restrictions or specific terms and conditions under which contributions may be expended.

United Way of Sault Ste. Marie & District

Notes to Financial Statements

March 31, 2017

1. Significant accounting policies (continued)

Fund Accounting (continued)	<p>The Endowment Fund contains a \$50,000 donation restricted until the year 2050. The income earned on this deposit is annually transferred to the campaign operating account for allocation to the United Way's Human Care Service Agencies.</p> <p>These funds are to be used as follows:</p> <ul style="list-style-type: none">i) an extraordinary event has been identified or an emergency has been declared by the Board;ii) the Stabilization Fund has been exhausted; oriii) the Community Endowment Fund Committee and the United Way Board unanimously recommend the disbursement. No more than 10% of the fund balance to a maximum of \$50,000 is disbursed at any one time and the frequency of disbursement is restricted to once every five years. <p>Solution Council Trust Fund: This fund was established to facilitate the funding of identified community priorities as authorized by the Board of Directors.</p> <p>The Community Assistance Trust Fund: This fund was established to facilitate the funding of specific community priorities through the assistance of Ontario Works and local service clubs.</p>												
Contributed Services	<p>Volunteers assist the Agency in carrying out its various service delivery activities. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.</p>												
Capital Assets	<p>Capital assets are recorded at cost less accumulated amortization. Amortization is calculated over the estimated useful life of the asset, using the following rates and methods:</p> <table><tr><td>Furniture and fixtures</td><td>-</td><td>20% diminishing balance method</td></tr><tr><td>Computer equipment</td><td>-</td><td>30% diminishing balance method</td></tr><tr><td>Electronic office equipment</td><td>-</td><td>30% diminishing balance method</td></tr><tr><td>Leasehold improvements</td><td>-</td><td>10 years straight-line method</td></tr></table>	Furniture and fixtures	-	20% diminishing balance method	Computer equipment	-	30% diminishing balance method	Electronic office equipment	-	30% diminishing balance method	Leasehold improvements	-	10 years straight-line method
Furniture and fixtures	-	20% diminishing balance method											
Computer equipment	-	30% diminishing balance method											
Electronic office equipment	-	30% diminishing balance method											
Leasehold improvements	-	10 years straight-line method											
Pension Plan	<p>The Agency sponsors a defined contribution pension arrangement covering substantially all employees. The cost of defined contribution pension is expensed as earned by employees. The Agency makes monthly contributions in accordance with the plan agreement to the employees' individual accounts, which are administered by a plan trustee.</p>												
Use of Estimates	<p>The preparation of financial statements in accordance with Canadian generally accepted accounting principles for not-for-profit organizations 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 reported period. Actual results could differ from managements best estimates as additional information becomes available in the future.</p>												
Financial Instruments	<p>Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and designated bonds and guaranteed investment certificates are reported at fair market value, with any unrealized gains or losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired.</p>												

United Way of Sault Ste. Marie & District Notes to Financial Statements

March 31, 2017

1. Significant accounting policies (continued)

Funds held in Trust The Christmas Cheer Fund, held in trust, is administered by the Agency and has not been included in the Statement of Financial Position nor have their operations been included in the Statement of Operations.

2. Investments

Investments consist of term deposits, provincial bonds, corporate bonds, mutual funds, Canadian equity funds and fixed income funds.

3. Pledges receivable

	<u>2017</u>	<u>2016</u>
Pledges receivable		
Current year	\$ 484,687	\$ 482,323
Prior years	9,506	9,766
	<u>494,193</u>	<u>492,089</u>
Less allowance for doubtful pledges	<u>50,000</u>	<u>50,000</u>
	<u>\$ 444,193</u>	<u>\$ 442,089</u>

Pledges receivable, a substantial amount of which are collectable from various employee groups, are recorded at the values pledged by the donors, less management's best estimate of doubtful pledges based on their past experience with similar pledges. The actual amount collected will be determined over the next year and may differ significantly from the amounts recorded.

4. Endowment fund loan

During 2015 the Board approved the withdrawal of \$100,000 from specific investments of the Community Endowment Fund. The cash was used to fund commitments made in the 2015 budget and were required due to a delay in the payment of pledges receivable from the 2012 campaign. The Board further resolved that the funds in the amount of \$100,000 will be returned to the Community Endowment Fund investments, plus interest of 1.0% on the first \$50,000 and 0.4% on the remaining \$50,000. At March 31, 2017 \$72,000 remained outstanding.

5. Line of credit

The Agency has a line of credit at the Northern Credit Union with a balance available of \$150,000, interest at prime plus 0.25%. As at March 31, 2017, there was a balance outstanding on this line of credit of \$41,500, with the remaining bank indebtedness caused by issued outstanding cheques.

**United Way of Sault Ste. Marie & District
Notes to Financial Statements**

March 31, 2017

6. Capital assets

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and fixtures	\$ 76,175	\$ 61,105	\$ 65,117	\$ 58,720
Computer equipment	113,190	108,342	111,211	106,689
Electronic office equipment	16,893	11,056	11,230	9,768
Leasehold improvements	8,516	6,797	8,516	5,945
	\$ 214,774	\$ 187,300	\$ 196,074	\$ 181,122
Net book value		\$ 27,474		\$ 14,952

7. Inter-fund transfers

During the year the Board of Directors approved the following transfers:

General Fund:

To Solutions Council Trust Fund	\$ (41,433)
To Community Assistance Trust Fund	(166,270)
From Endowment Fund	3,920
	\$ (203,783)

Endowment Fund:

Interest earned on the externally restricted endowment is to be transferred yearly to the General Fund	\$ (3,920)
--	------------

Solution Council Trust Fund:

From General Fund	\$ 41,433
-------------------	-----------

Community Assistance Trust Fund:

From General Fund	\$ 166,270
-------------------	------------

8. Pension plan

Employees are eligible to participate in a defined contribution pension plan. Employer contributions totaled \$10,495 (2016 - \$11,615) during the current period and were fully expensed.

9. Commitments

The Agency leases office equipment with annual lease payments of \$6,019. The leases will expire in 2019 and 2020. The Agency leases an office building with annual payments of \$30,205, expiring August 2017. Lease for new office space has been signed with lease payments commencing September 1, 2017 and expiring August 2032.

The following minimum payments are required over the next five years:

2018	\$	56,955
2019		77,135
2020		77,686
2021		77,772
2022		77,772
	\$	367,320

United Way of Sault Ste. Marie & District

Notes to Financial Statements

March 31, 2017

10. Financial instrument risk

The Agency's management monitors, evaluates and manages the principal risks assumed with financial instruments on a daily basis. The risks that arise from transacting financial instruments include liquidity risk, credit risk and price and interest rate risk.

Liquidity risk

Liquidity risk arises from the agency's management of accounts payable and other current liabilities. It is the risk that the agency will encounter difficulty in meeting its financial obligations as they fall due. The agency's policy to minimize this risk is to ensure an adequate line of credit exists for the agency.

Credit risk

Credit risk arises principally from the agency's pledges receivables. Credit risk is the risk that a third party will fail to discharge its obligation to the agency thereby reducing the expected cash inflow.

Price risk and interest rate risk

Price and interest rate risk arises principally from the agency's investments and line of credit. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price or interest rates, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

11. Allocation of general management and administrative expenses

General management and administrative expenses are incurred to support functional areas and are allocated to fundraising and community capacity building activities expenses based on the estimated time spent in each area.

	2017	2016
To fundraising expenses	75 %	75 %
To programs	25 %	25 %

12. Fundraising cost ratios

As per the Transparency, Accountability and Financial Reporting Policies for United Way Centraides in Canada, the Agency calculates its direct and indirect costs of fundraising as follows:

a) Direct costs of fundraising ratio = direct fundraising expenses / total revenue

b) Indirect costs of fundraising ratio = indirect fundraising expenses / total revenue

**United Way of Sault Ste. Marie & District
Schedule 1 - Campaign Expenses**

For the year ended March 31	2017	2016
Advertising and promotion	\$ 25,372	\$ 16,463
Miscellaneous	2,847	3,633
Salaries and employee benefits	107,922	69,680
Stationery, supplies and postage	12,678	10,706
Travel	1,437	12,467
Training and recruitment	-	1,214
Total direct costs	150,256	114,163
Total indirect costs (allocation of general management and administrative expenses per Schedule 4)	152,255	150,419
Campaign expenses	\$ 302,511	\$ 264,582
Direct cost of fundraising (Note 12)	8.35 %	6.46 %
Indirect cost of fundraising (Note 12)	8.46 %	8.51 %

United Way of Sault Ste. Marie & District
Schedule 2 - Agency Program Payments and Developmental Grants

For the year ended March 31	2017	2016
Agency program payments		
Algoma Substance Abuse Rehabilitation Centre (Breton House)	\$ 30,000	\$ 12,500
Big Brothers and Big Sisters Association of Sault Ste. Marie	-	54,396
Canadian Hearing Society	20,000	22,685
Canadian Mental Health/Sault Ste. Marie	40,000	110,000
Canadian National Institute for the Blind	20,000	30,400
Canadian Red Cross Society	16,100	34,700
Credit Counselling Service of Sault Ste. Marie and District Inc.	15,000	10,000
John Howard Society	80,000	51,994
Learning Disability Association	3,500	5,000
Ontario March of Dimes	-	15,000
Pauline's Place	-	17,903
Royal Canadian Air Cadets	5,000	4,000
St. John Ambulance	-	10,000
Sault Ste. Marie Alcohol Recovery Home Inc.	15,000	12,000
Sault Ste. Marie Y.M.C.A.	60,000	12,400
Sault Search and Rescue Inc.	10,000	18,060
Victorian Order of Nurses	-	15,000
Women in Crisis	20,000	16,846
	334,600	452,884
Payments to non member agencies	13,196	14,106
Voluntary reduction of 2016 agency program payments	-	(44,008)
Agency program payments and developmental grants	\$ 347,796	\$ 422,982

**United Way of Sault Ste. Marie & District
Schedule 3 - Volunteer Sault Ste. Marie**

For the year ended March 31	2017	2016
211 Project	\$ 19,447	\$ 25,868
Action for Community Change project	-	5,011
Community Christmas for children	2,114	2,943
Income tax program	2,381	3,355
Membership fees to United Way of Canada	15,441	7,862
Miscellaneous	100	225
Salaries and employee benefits	130,006	148,326
Social Development Council	5,532	3,399
Volunteer appreciation dinner	5,997	8,747
Volunteer fair	291	581
Volunteer leadership development	2,308	3,559
Volunteer resource group	19,409	25,356
	203,026	235,232
Allocation of general management and administrative expenses	50,752	50,140
Volunteer Sault Ste. Marie expenses	\$ 253,778	\$ 285,372

United Way of Sault Ste. Marie & District
Schedule 4 - General and Administrative Expenses

For the year ended March 31	2017	2016
Annual meeting and report	\$ 1,176	\$ 1,055
Amortization	6,178	5,016
Bookkeeping	25,245	25,267
Building maintenance	15,813	19,482
Conference and travel	5,828	8,007
Equipment maintenance	17,229	15,205
Heat, water and light	4,691	4,391
Insurance	4,141	2,902
Miscellaneous	1,110	2,067
Professional fees	12,911	12,952
Public relations	1,669	2,281
Publications	-	21
Rent	16,288	16,476
Salaries and employee benefits	65,825	67,666
Stationery, office supplies and postage	23,458	15,312
Training and recruitment	1,445	2,459
	203,007	200,559
Allocation to Campaign expenses	(152,255)	(150,419)
Allocation to Volunteer Sault Ste Marie	(50,752)	(50,140)
Net general and administrative expenses	\$ -	\$ -

**United Way of Sault Ste. Marie & District
Schedule 5 - Community Assistance Trust Program**

For the year ended March 31	2017	2016
Advertising and promotion	\$ 443	\$ 3,339
Direct client expenditures	561,798	542,874
Equipment maintenance	3,138	4,708
Office expenses	23,026	22,594
Rent	21,190	8,977
Salaries and employee benefits	179,592	184,758
Community Assistance Trust Program expenses	\$ 789,187	\$ 767,250