

**United Way serving Kingston, Frontenac,
Lennox & Addington**

Financial Statements
For the year ended December 31, 2011

United Way serving Kingston, Frontenac, Lennox & Addington
Financial Statements
For the year ended December 31, 2011

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Independent Auditors' Report

**To the Members of
United Way serving Kingston, Frontenac, Lennox & Addington**

Report on the Financial Statements

We have audited the accompanying financial statements of the United Way serving Kingston, Frontenac, Lennox & Addington which comprise the statement of financial position as at December 31, 2011 and December 31, 2010 and the statements of changes in fund balances, operations and cash flows for the years 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.

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 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 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 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 and we were not able to determine whether any adjustments might be necessary to donation and fundraising revenues, excess of revenue over expenditures, assets and changes in 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 serving Kingston, Frontenac, Lennox & Addington as at December 31, 2011 and December 31, 2010, and its financial performance and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow SEO LLP

Chartered Accountants
Licensed Public Accountants

Kingston, Ontario
April 19, 2012

**United Way serving Kingston, Frontenac, Lennox & Addington
Statement of Financial Position**

December 31 2011 2010

	Restricted Funds			Total
	Operating Fund	Endowment Fund	Community Impact Initiatives	
Assets				
Current				
Cash and bank (Note 1)	\$ 913,602	\$ 7,040	\$ -	\$ 920,642
Short-term investments (Note 2)	1,607,819	-	-	1,607,819
Pledges receivable (Note 3)	250,134	-	-	250,134
Accounts receivable	40,221	-	-	40,221
Due from restricted funds	2,397	-	-	2,397
Inventory	-	-	-	-
Prepaid expenses	14,870	-	-	14,870
	2,829,043	7,040	-	2,836,083
Long-term investments (Note 4)	178,933	587,891	-	766,824
Capital assets (Note 5)	62,484	-	-	62,484
	\$ 3,070,460	\$ 594,931	\$ -	\$ 3,665,391
				\$ 3,376,144

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

United Way serving Kingston, Frontenac, Lennox & Addington Statement of Financial Position


December 31

2011

2010

	Restricted Funds				Total
	Operating Fund	Endowment Fund	Community Impact Initiatives	Total	
Liabilities and Fund Balances					
Current					
Accounts payable and accrued liabilities (Note 6)	\$ 539,111	\$ -	\$ -	\$ 539,111	\$ 528,912
Monies held in trust (Note 7)	190,000	-	-	190,000	105,167
Due to operating fund	-	2,397	-	2,397	11,926
Deferred contributions non-campaign	41,928	-	-	41,928	1,116
Deferred campaign revenue (Note 8)	1,562,785	-	-	1,562,785	1,501,827
	2,333,824	2,397	-	2,336,221	2,148,948
Fund balances					
Invested in 417 Bagnet Group (Note 4)	178,933	-	-	178,933	174,344
Invested in capital assets (Note 9)	62,484	-	-	62,484	29,321
Reserves (Note 10)	455,167	-	-	455,167	430,000
Externally restricted	-	592,522	-	592,522	586,372
Internally restricted	-	12	-	12	14,644
Unrestricted	40,052	-	-	40,052	(7,485)
	736,636	592,534	-	1,329,170	1,227,196
	\$ 3,070,460	\$ 594,931	\$ -	\$ 3,665,391	\$ 3,376,144

On behalf of the Board:



Director



Director

**United Way serving Kingston, Frontenac, Lennox & Addington
Statement of Changes in Fund Balances**

	2011				2010	
	Operating Fund	Endowment Fund	Restricted Funds		Total	Total
			Community Impact Initiatives			
Fund balances, beginning of year	\$ 626,180	\$ 601,016	\$ -	\$ -	\$ 1,227,196	\$ 1,202,029
Excess of revenue over expenditures (expenditures over revenue) for the year	411,855	(8,482)	(301,399)		101,974	25,167
Inter-fund transfers (Note 11)	(301,399)	-	301,399		-	-
Fund balances, end of year	\$ 736,636	\$ 592,534	\$ -	\$ -	\$ 1,329,170	\$ 1,227,196

United Way serving Kingston, Frontenac, Lennox & Addington Statement of Operations

For the year ended December 31

2011

2010

	Restricted Funds			Total
	Operating Fund	Endowment Fund	Community Impact Initiatives	
Revenue				
Campaign revenue (Note 12)	\$ 3,200,366	-	-	\$ 3,200,366
Funds transferred from other United Ways	16,638	-	-	16,638
Funds transferred to other United Ways	(26,492)	-	-	(26,492)
Community special events	107,194	-	-	107,194
Gross campaign revenue	3,297,706	-	-	3,297,706
Pledge loss (Note 13)	(49,346)	-	-	(49,346)
Net campaign revenue	3,248,360	-	-	3,248,360
Areas of service designations (Note 14)	123,241	-	39,366	162,607
Donations and other revenue	7,615	6,150	112	13,877
Investment income (loss)	13,373	(5,018)	-	8,355
Program grants	-	-	22,118	22,118
Total revenue	3,392,589	1,132	61,596	3,455,317
Expenditures				
Allocations and programs	-	-	-	-
Communications and awareness project	642,017	-	-	642,017
Donor choice designations	1,609,605	2,500	83,762	1,695,867
Program grants	284,704	-	279,233	563,937
United Way programs (Schedule 1 and 2)	2,536,326	2,500	362,995	2,901,821
Operations	33,024	-	-	33,024
Community special events	415,973	-	-	415,973
Fundraising (Schedule 1)	-	7,114	-	7,114
Investment management fee	-	-	-	-
Total expenditures	2,985,323	9,614	362,995	3,357,932
Income from joint venture (Note 4)	4,589	-	-	4,589
Excess of revenue over expenditures (expenditures over revenue) for the year	\$ 411,855	\$ (8,482)	\$ (301,399)	\$ 101,974
				\$ 25,167

United Way serving Kingston, Frontenac, Lennox & Addington Statement of Cash Flows

For the year ended December 31	2011	2010
Cash flows from operating activities		
Excess of revenue over expenditures for the year	\$ 101,974	\$ 25,167
Adjustments for items not involving cash		
Amortization of capital assets	16,656	15,053
Income from joint venture (Note 4)	(4,589)	(4,403)
	<u>114,041</u>	<u>35,817</u>
Changes in non-cash working capital balances		
Pledges receivable	(7,486)	4,737
Accounts receivable	(29,143)	(3,713)
Inventory	535	41
Prepaid expenses	(5,175)	9,044
Accounts payable and accrued liabilities	10,199	(9,722)
Monies held in trust	84,833	100,367
Deferred contributions non-campaign	40,812	46
Deferred campaign revenue	60,958	97,113
	<u>269,574</u>	<u>233,730</u>
Cash flows from investing activities		
Net decrease (increase) in long-term investment	22,680	(120,646)
Purchase of capital assets	(49,819)	(1,693)
	<u>(27,139)</u>	<u>(122,339)</u>
Increase in cash and cash equivalents, during the year	242,435	111,391
Cash and cash equivalents, beginning of year	<u>2,286,026</u>	<u>2,174,635</u>
Cash and cash equivalents, end of year	\$ 2,528,461	\$ 2,286,026
Represented by:		
Cash and bank - Operating Fund	\$ 913,602	\$ 787,283
Cash and bank - Endowment Fund	7,040	1,045
Short-term investments	<u>1,607,819</u>	<u>1,497,698</u>
	\$ 2,528,461	\$ 2,286,026

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

United Way serving Kingston, Frontenac, Lennox & Addington

Summary of Significant Accounting Policies

December 31, 2011

Nature of Business

The organization is incorporated under the laws of Ontario without share capital and is registered as a public foundation for income tax purposes. The organization is exempt from tax under subparagraph 149(1)(f) of the Canadian Income Tax Act. The mission of the organization is to build and strengthen our community by bringing people and resources together to facilitate change. The organization's vision is a community with a strong social services network where individuals can develop their potential for self-sufficiency and personal well-being.

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.

Estimates have been made by management within these financial statements primarily in relation to short-term investments, pledges receivable, accounts receivable, inventory, prepaid expenses, long-term investments, capital assets, accounts payable and accrued liabilities, deferred contributions non-campaign and deferred campaign revenue.

These estimates and assumptions are reviewed periodically and as adjustments become necessary they are reported in the periods in which they become known.

Fund Accounting

The accompanying financial statements include the activities of the organization for which the Board of Directors is legally accountable. In order to properly reflect its activities, the organization maintains its accounts in accordance with the principles of "fund accounting" in order that limitations and restrictions placed on the use of available resources are observed. The organization follows the restricted fund method of accounting for contributions. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds in accordance with activities or objectives specified. For financial reporting purposes, the organization has combined funds with similar characteristics into three groups: Operating Fund, Endowment Fund and Community Impact Initiatives.

United Way serving Kingston, Frontenac, Lennox & Addington Summary of Significant Accounting Policies

December 31, 2011

Fund Accounting (continued)

The *Operating Fund* accounts for the expenditures related to allocations and programs, campaign, administrative and other operations of the organization financed by campaign and general revenues.

The *Endowment Fund* accounts for monies received for special purposes other than the building and operating program, where only the income earned on the money is expendable for the special purposes designated. Externally restricted fund balance represents contributed capital, while the internally restricted fund balance represents the cumulative investment income (loss) less costs.

The *Community Impact Initiatives* fund supports a variety of United Way initiatives that help people to develop their potential for self-sufficiency and personal well-being. This fund accounts for the operating activities of these initiatives. In 2011, the initiatives were Success By Six, Leadership Development Services, Homelessness, 211 Program, Action for Neighbourhood Change and Community Impact.

The statement of financial position represents the combined position of all the funds of the organization.

Short-term Investments

Short-term investments are recorded at fair value.

Inventory

Inventory is stated at the lower of cost and net realizable value. Cost is generally determined on the first-in, first-out basis.

Long-term Investments

The long-term investment in the joint venture is recorded on the equity basis. Under this method, the investment is initially recorded at cost and is increased for the proportionate share of any post-acquisition earnings and is decreased for any post-acquisition losses. Other long-term investments are recorded at fair value.

United Way serving Kingston, Frontenac, Lennox & Addington Summary of Significant Accounting Policies

December 31, 2011

Capital Assets

Capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is as follows:

Furniture and equipment - 20 % diminishing balance basis or
10 years straight-line basis

Telephone system - 30 % diminishing balance basis

Computer equipment - 30 % diminishing balance basis or
2 to 3 years straight-line basis

Computer software - 2 years straight-line basis

Leasehold improvements - 10 years straight-line basis

In the year of acquisition, amortization is calculated on capital assets at half-rates.

Revenue Recognition

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

Pledges receivable at the end of the year reflect amounts outstanding from the preceding campaign, less an allowance for pledge losses. Allowances are provided for amounts estimated to be uncollectible. The organization's accounting policy for recording current campaign pledges is on the cash basis. This policy conforms with that adopted by the majority of United Way organizations.

Other unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Primary sources of other unrestricted contributions recognized as revenue during the year are funds transferred to and from other United Ways, community special events, areas of service designations, investment income and grants.

Restricted contributions related to operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred.

United Way serving Kingston, Frontenac, Lennox & Addington

Summary of Significant Accounting Policies

December 31, 2011

Donated Assets, Materials and Services

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

The organization receives gifts in kind from some donors, primarily for campaign costs of printing, supplies and public relations. These amounts are excluded from revenues and expenditures.

Financial Instruments

All financial assets and liabilities are classified according to their characteristics, management's intention, or the choice of category in certain circumstances. All financial assets must be classified as either held-for-trading, held-to-maturity, available-for-sale or loans and receivables. Financial liabilities must be classified as held-for-trading or other liabilities. Financial assets and liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading, and are accounted for at fair value with the change in the fair value recognized in the results of operations. Those instruments that have a fixed maturity date, where the organization intends and has the ability to hold to maturity, are classified as held-to-maturity and accounted for at amortized cost using the effective interest rate method. Loans and receivables are also accounted for at amortized cost using the effective interest rate method. When initially recognized, all financial assets and liabilities are recorded at fair value on the statement of financial position. In subsequent periods, financial instruments will be valued at fair value, except for items that are classified in the following categories, which will be measured at amortized cost. These categories are loans and receivables, investments held-to-maturity and financial liabilities not held-for-trading purposes.

An allowance for impairment that is other than temporary for financial assets categorized as loans and receivables and investments held-to-maturity is recognized in the statement of operations.

The organization has classified all financial assets as loans or receivables, with the exception of cash and bank, short-term investments and long-term investments. Cash and bank, short-term investments and long-term investments have been classified as held-for-trading. Gains and losses are recognized in investment income in the period in which they arise. The organization has classified all financial liabilities as other liabilities.

United Way serving Kingston, Frontenac, Lennox & Addington Summary of Significant Accounting Policies

December 31, 2011

Financial Instruments (continued)

The organization assesses, at each statement of financial position date, whether a financial asset carried at cost is impaired. If there is objective evidence that an impairment loss exists, the amount of the loss is measured as the difference between the carrying amount of the asset and its fair value. The carrying amount of the asset is reduced and the amount of the loss is recognized in investment income.

United Way serving Kingston, Frontenac, Lennox & Addington Notes to Financial Statements

December 31, 2011

1. Cash and Bank

The organization's bank accounts are held at one chartered bank. The bank accounts earn no interest.

2. Short-term Investments

	2011	2010
Royal Premium Money Market Fund	\$ 1,405,944	\$ 997,098
RBC Guaranteed Investment Certificates 0.90% maturing in December 2012	201,875	-
RBC Guaranteed Investment Certificates 0.90% maturing in December 2011	-	250,092
RBC Guaranteed Investment Certificates 0.80% maturing in September 2011	-	250,508
	\$ 1,607,819	\$ 1,497,698

3. Pledges Receivable

	2011	2010
Preceding year's campaign	\$ 317,134	\$ 309,648
Less allowance for pledge losses	(67,000)	(67,000)
	\$ 250,134	\$ 242,648

United Way serving Kingston, Frontenac, Lennox & Addington

Notes to Financial Statements

December 31, 2011

4. Long-term Investments

Operating Fund

The organization has a one-third interest in a joint venture, the 417 Bagot Group, together with two agencies to own and manage the building in which they and two additional agencies carry on their operations. The investment in the joint venture is recorded on the equity basis which reflects the net income or loss of the group for the year ended December 31, 2011. The following information represents the organization's one-third interest:

	2011	2010
Assets		
Cash	\$ 21,276	\$ 23,611
Accounts receivable	2,152	1,460
Due from related parties	678	564
Capital assets	212,872	221,154
	\$ 236,978	\$ 246,789
Liabilities and co-tenants' capital		
Accounts payable and accrued liabilities	\$ 4,140	\$ 2,761
Long-term debt	53,905	69,684
Co-tenants' capital	178,933	174,344
	\$ 236,978	\$ 246,789
Excess of revenue over expenditures		
Revenue	\$ 53,220	\$ 52,662
Expenditures	48,631	48,259
	\$ 4,589	\$ 4,403
Cash provided by (used in)		
Operating activities	\$ 13,445	\$ 12,930
Financing activities	\$ (15,779)	\$ (14,292)

There are no significant differences in accounting policies between 417 Bagot Group and the organization.

United Way serving Kingston, Frontenac, Lennox & Addington Notes to Financial Statements

December 31, 2011

4. Long-term Investments (continued)

The amount reported as long-term investments is determined as follows:

	2011	2010
Contributions since commencement	\$ 146,086	\$ 146,086
Gain in earnings since commencement	32,847	28,258
	\$ 178,933	\$ 174,344

The three participants in the joint venture are jointly and severally liable for a mortgage on the property. As at December 31, 2011, the principal balance of the mortgage was \$161,717.

Endowment Fund

	2011	2010
Investments held with the Community Foundation for Kingston & Area	\$ 587,891	\$ 610,571

5. Capital Assets

	2011		2010	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	\$ 77,725	\$ 61,637	\$ 77,725	\$ 57,982
Telephone system	36,146	35,947	36,146	35,862
Computer equipment	120,844	115,893	115,396	109,413
Computer software	56,654	17,548	12,283	11,827
Leasehold improvements	8,999	6,859	8,999	6,144
	\$ 300,368	\$ 237,884	\$ 250,549	\$ 221,228
Net book value		\$ 62,484		\$ 29,321

During the year, the organization acquired \$49,819 (2010 - \$1,693) of capital assets for cash.

United Way serving Kingston, Frontenac, Lennox & Addington Notes to Financial Statements

December 31, 2011

6. Accounts Payable and Accrued Liabilities

	2011	2010
Accounts payable and accrued liabilities	\$ 47,293	\$ 50,848
Donor designations	447,818	418,389
Grants payable	44,000	59,675
	\$ 539,111	\$ 528,912

7. Monies Held In Trust

In 2007, the organization entered into a contract with the Corporation of the City of Kingston (the "City") to provide services, on a trust basis, to administer the Community Investment Fund (formerly known as "Healthy Community Fund"). The services include:

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

	2011	2010
Opening balance	\$ 105,167	\$ 4,800
Receipts	190,000	404,845
Disbursements	(105,167)	(304,478)
Ending balance	\$ 190,000	\$ 105,167

8. Deferred Campaign Revenue

Pursuant to the accounting policy, campaign revenue relating to the 2011 campaign has been deferred to 2012 and will be used to fund allocations to agencies during that year.

United Way serving Kingston, Frontenac, Lennox & Addington

Notes to Financial Statements

December 31, 2011

9. Invested in Capital Assets

The net assets invested in capital assets consists of:

	2011	2010
Net investment in capital assets	\$ 62,484	\$ 29,321
 Changes in Fund Balance		
Invested in capital assets, beginning of year	\$ 29,321	\$ 42,681
Expenditures		
Amortization of capital assets	(16,656)	(15,053)
Investment in capital assets		
Purchase of equipment with unrestricted resources	49,819	1,693
Invested in capital assets, end of year	\$ 62,484	\$ 29,321

10. Reserves

	2011	2010
Contingency Reserve Fund	\$ 130,000	\$ 130,000
United Way Agency Funding Reserve	325,167	300,000
	\$ 455,167	\$ 430,000

Contingency Reserve Fund

In accordance with policy, the balance in the reserve is to be maintained at a maximum of 10% of the operating budget or three months of payroll commitments, whichever is higher. Contingency reserve funds are intended for contingency purposes, to be accessed only after formal approval by the organization's Board of Directors.

United Way Agency Funding Reserve

In accordance with policy, the balance in the reserve is to be maintained at a maximum of \$300,000 or three months of funding, whichever is greater. United Way Agency Funding Reserve funds are internally restricted and are intended for agency allocation purposes, to be accessed only after formal approval by the organization's Board of Directors.

In 2011, the Board of Directors approved the transfer of \$25,167 to the United Way Agency Funding Reserve.

United Way serving Kingston, Frontenac, Lennox & Addington Notes to Financial Statements

December 31, 2011

11. Inter-fund Transfers

In April 2012, the Board of Directors approved the transfer of \$301,399 to the Community Impact Initiatives fund from the Operating Fund as at December 31, 2011.

12. Direct Expenditures in Revenue

The organization has netted direct expenditures related to specific events that are run by the organization against revenue. The total direct expenditures included in revenue on the statement of operations are as follows:

	2011			2010		
	Events Revenue	Direct Expenditures	Net	Events Revenue	Direct Expenditures	Net
Campaign revenue	\$ 44,564	\$ 34,462	\$ 10,102	\$ 46,580	\$ 26,575	\$ 20,005

13. Pledge Loss

	2011	2010
Pledge (loss) - current year campaign	\$ (67,000)	\$ (67,000)
Pledge (loss) - recovery of prior year's campaign	17,654	9,086
	\$ (49,346)	\$ (57,914)

14. Areas of Service

The amount of \$162,607 (2010 - \$142,523) represents designations to areas of service through the Campaign 2009 Donor Choice program. These designations were collected through payroll pledges received through the calendar year 2010, and are paid out during the 2011 process of determining agency allocations.

United Way serving Kingston, Frontenac, Lennox & Addington Notes to Financial Statements

December 31, 2011

15. Lease Commitments

The organization has entered into a lease with the 417 Bagot Group, a related joint venture for use of its premises at 417 Bagot Street, Kingston. This lease requires monthly payments of \$3,505 and has no pre-determined expiration date.

The organization leases a postage machine for \$662 per quarter expiring April 30, 2012.

The organization leases a Xerox centralized print/fax/scanner for \$352 per quarter expiring June 30, 2016.

The minimum annual lease payments for the next five years are as follows:

2012	\$	44,128
2013		43,466
2014		43,466
2015		43,466
2016		42,762
		<hr/>
	\$	<u>217,288</u>

16. Related Party Transactions

The organization has a one-third interest in a joint venture, the 417 Bagot Group, as detailed in Note 4 to these financial statements. The organization rents premises from the joint venture as disclosed in Note 15.

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value.

17. Employer-Employee Group Plan

The organization is a participant in a group registered retirement savings plan. The organization contributes, on behalf of each eligible employee, an amount equal to the employee's contribution to a maximum of 5% of earnings. During the year, the organization expensed \$24,902 under this group registered retirement savings plan arrangement.

United Way serving Kingston, Frontenac, Lennox & Addington

Notes to Financial Statements

December 31, 2011

18. Fair Value of Financial Instruments

The organization's financial instruments consist of cash and bank, short-term investments, pledges receivable, accounts receivable, long-term investments, accounts payable and accrued liabilities and monies held in trust. These financial instruments are equivalent to their respective carrying values given the short-term nature of the accounts.

Investments are measured at fair value on the balance sheet as quoted by investment brokers. As at December 31, 2011, a fair value adjustment to long-term investments resulted in an unrealized gain (loss) of \$(26,268) (2010 - \$33,947). This amount has been included in investment income (loss) on the statement of operations.

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant currency or credit risks arising from these financial instruments.

As a result of holding financial instruments, the organization is exposed to investment risk, market risk and interest rate risk. The following is a description of those risks and how the organization manages its exposure to them.

(a) Investment risk management

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

(b) Market and interest rate risk

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

United Way serving Kingston, Frontenac, Lennox & Addington

Notes to Financial Statements

December 31, 2011

19. Re-allocation of Administration Expenditures

General management and administrative expenditures are re-allocated between fundraising expenditures, program expenditures, and Community Impact Initiatives fund expenditures based on the organization's budget allocation at the beginning of the year in which the administrative expenditures are incurred.

	<u>2011</u>	<u>2010</u>
Fundraising expenditures	37 %	37 %
Program expenditures	32 %	21 %
Community Impact Initiatives fund expenditures	31 %	42 %
	<u>100 %</u>	<u>100 %</u>

20. Management of Capital

The organization defines its capital as the amounts included in its fund balances.

The organization sets the amount of fund balances in proportion to risk, manages the fund/net asset structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets.

The organization's objective when managing capital is to safeguard its ability to sustain itself as a going concern so that it can continue to provide the appropriate level of benefits and services to its beneficiaries and stakeholders.

A portion of the organization's capital is restricted in that the organization is required to meet certain requirements to utilize its externally and internally restricted fund balances, as described in the Summary of Significant Accounting Policies under Fund Accounting for the Endowment Fund and in note 10 for Reserves. The organization has internal control processes to ensure that the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.

Management and the Board of Directors carefully consider fundraising campaigns, grants, sponsorship and investment income to ensure that sufficient funds will be available to meet the organization's short and long-term objectives.

The organization monitors its financial performance against an annual budget. Surpluses from unspent operational activities are accumulated under the Operating Fund's unrestricted fund balance. In the event that revenues decline, the organization will budget for reduced distributions and reduced operational expenditures.

United Way serving Kingston, Frontenac, Lennox & Addington

Notes to Financial Statements

December 31, 2011

21. New Accounting Pronouncements

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 ("ASNPO")

The CICA is converging Canadian Generally Accepted Accounting Principals ("GAAP") with International Financial Reporting Standards ("IFRS") over a transition period which will end in 2011. For fiscal years beginning on or after January 1, 2012, not-for-profit organizations are required to choose between two sets of standards: ASNPO or IFRS. The organization is expected to adopt ASNPO for the fiscal year ending December 31, 2012, and the impact of the transition to ASNPO on the organization's financial statements is in the process of being determined.

**United Way serving Kingston, Frontenac, Lennox & Addington
Administration, Fundraising and United Way Programs Expenditures**

Schedule 1

For the year ended December 31				2011	2010
	Admin	Fundraising	Programs	Total	Total
Direct costs					
Salaries and benefits	\$ 110,879	\$ 257,779	\$ 170,145	\$ 538,803	\$ 470,270
Other direct costs	44,924	81,043	15,234	141,201	153,546
Sub-total	155,803	338,822	185,379	680,004	623,816
Amortization of capital assets	16,656	-	-	16,656	15,053
Dues and shared costs	-	-	25,044	25,044	24,172
General office expenditures	4,220	8,300	5,583	18,103	13,276
Occupancy costs	6,436	15,239	10,101	31,776	28,531
Total expenditures before re-allocation of administration expenditures and cost recovery of donor choice designations	183,115	362,361	226,107	771,583	704,848
Re-allocation of administration expenditures (Note 19)	(183,115)	67,753	58,597	(56,765)	(71,880)
Cost recovery for donor choice designations	-	(14,141)	-	(14,141)	(12,078)
Total expenditures	\$ -	\$ 415,973	\$ 284,704	\$ 700,677	\$ 620,890

United Way serving Kingston, Frontenac, Lennox & Addington Community Impact Initiatives

Schedule 2

For the year ended December 31	2011		2010	
Success by Six	\$ 63,488	28.5 %	\$ 55,050	30.5 %
Leadership Development / Volunteer Services	74,264	33.4	35,940	19.9
Homelessness	28,803	12.9	30,133	16.7
211 Program	8,472	3.8	9,038	5.0
Action for Neighbourhood Change	22,026	10.0	23,501	12.9
Community Impact	25,415	11.4	27,117	15.0
Total expenditures before re-allocation of administration expenditures	222,468	100.0 %	180,779	100.0 %
Re-allocation of administration expenditures (Schedule 1)	56,765		71,880	
	\$ 279,233		\$ 252,659	