

Financial Statements of

**UNITED WAY SERVING KINGSTON,  
FRONTENAC, LENNOX &  
ADDINGTON**

Years ended December 31, 2012 and 2011



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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of United Way serving Kingston, Frontenac, Lennox & Addington, which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, 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 audits. We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.



*Basis for Qualified Opinion*

In common with many charitable organizations, United Way serving Kingston, Frontenac, Lennox & Addington derives revenue from 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 the entity and we were not able to determine whether, as at and for the years ended December 31, 2012 and December 31, 2011, any adjustments might be necessary to campaign revenue, excess of revenue over expenses, current assets and changes in net assets.

*Qualified 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 serving Kingston, Frontenac, Lennox & Addington as at December 31, 2012, December 31, 2011 and January 1, 2011, and its results of operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

*Other Matter*

The financial statements of United Way serving Kingston, Frontenac, Lennox & Addington as at and for the year ended December 31, 2011 were audited by another auditor who expressed a qualified opinion with respect to the completeness of donations revenue on those financial statements on April 19, 2012, consistent with the basis of qualification noted above.

*KPMG LLP*

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Chartered Accountants, Licensed Public Accountants

April 18, 2013

Kingston, Canada

# UNITED WAY SERVING KINGSTON, FRONTENAC, LENNOX & ADDINGTON

## Statements of Financial Position

December 31, 2012, December 31, 2011 and January 1, 2011

	December 31, 2012	December 31, 2011 (note 2)	January 1, 2011 (note 2)
<b>Assets</b>			
<b>Current assets:</b>			
Cash	\$ 672,707	\$ 920,642	\$ 788,328
Short-term investments (note 3)	513,279	1,607,819	1,497,698
Pledges receivable (note 4)	235,256	250,134	242,648
Accounts receivable	23,513	40,221	11,078
Inventory	-	-	535
Prepaid expenses	9,655	14,870	9,695
	1,454,410	2,833,686	2,549,982
Long-term investments (note 5)	2,113,577	766,824	784,915
Capital assets (note 6)	51,194	62,484	29,321
	\$ 3,619,181	\$ 3,662,994	\$ 3,364,218

### Liabilities and Net Assets (Deficiency)

**Current liabilities:**

Accounts payable and accrued liabilities (note 7)	\$ 490,179	\$ 539,111	\$ 528,912
Monies held in trust (note 8)	-	190,000	105,167
Deferred contributions non-campaign	104,580	41,928	1,116
Deferred campaign revenue (note 9)	1,558,871	1,562,785	1,501,827
Deferred endowment revenue	10,100	10,100	9,500
	2,163,730	2,343,924	2,146,522

**Net assets (deficiency):**

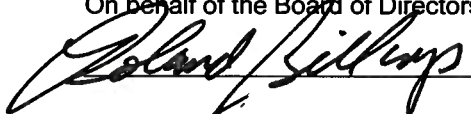
Invested in 417 Bagot Group (note 5)	189,509	178,933	174,344
Invested in capital assets (note 10)	51,194	62,484	29,321
Reserves (note 11)	455,167	455,167	430,000
Endowment	585,422	582,422	576,872
Internally restricted	-	12	14,644
Unrestricted	174,159	40,052	(7,485)
	1,455,451	1,319,070	1,217,696

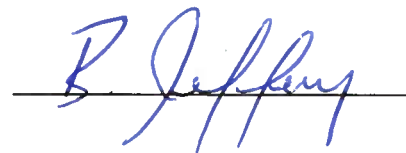
**Commitments (note 15)**

	\$ 3,619,181	\$ 3,662,994	\$ 3,364,218
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See accompanying notes to financial statements.

On behalf of the Board of Directors:

 Director

 Director

# UNITED WAY SERVING KINGSTON, FRONTENAC, LENNOX & ADDINGTON

## Statements of Operations

Years ended December 31, 2012 and 2011

	2012	2011
		(note 2)
<b>Revenue:</b>		
Campaign revenue (note 12)	\$ 3,317,901	\$ 3,200,366
Funds transferred from other United Ways	21,675	16,638
Funds transferred to other United Ways	(28,090)	(26,492)
Community special events	107,738	107,194
Gross campaign revenue	3,419,224	3,297,706
Pledge loss (note 13)	(36,347)	(49,346)
Net campaign revenue	3,382,877	3,248,360
Areas of service designations (note 14)	175,934	162,607
Donations and other revenue	63,393	7,727
Investment income	68,628	8,355
Program grants	24,695	22,118
Homeless partnership strategy grant	222,949	-
	3,938,476	3,449,167
<b>Expenses:</b>		
Allocations and programs:		
Communications and awareness project	15,578	-
Donor choice designations	577,324	642,017
Program grants	1,891,448	1,695,867
Homelessness partnership strategy grant	222,949	-
United Way programs (schedules 1 and 2)	593,707	563,937
	3,301,006	2,901,821
Operations:		
Community special events	32,871	33,024
Fundraising (schedule 1)	475,849	415,973
Investment management fee	5,945	7,114
	3,815,671	3,357,932
Excess of revenue over expenses before the undermoted	122,805	91,235
Income from joint venture	10,576	4,589
Excess of revenue over expenses	\$ 133,381	\$ 95,824

See accompanying notes to financial statements.

## UNITED WAY SERVING KINGSTON, FRONTENAC, LENNOX & ADDINGTON

### Statements of Changes in Net Assets

Years ended December 31, 2012 and 2011

December 31, 2012	Invested in 417 Bagot Group (note 5)	Invested in capital assets	Reserves (note 11)	Restricted for endowments	Internally restricted	Unrestricted	Total
Balance, beginning of year	\$ 178,933	\$ 62,484	\$ 455,167	\$ 582,422	\$ 12	\$ 40,052	\$ 1,319,070
Excess of revenue over expenses	10,576	(23,038)	—	—	—	145,843	133,381
Endowment contributions	—	—	—	3,000	—	—	3,000
Net change in investment in capital assets (note 10)	—	11,748	—	—	—	(11,748)	—
Internally imposed restrictions	—	—	—	—	(12)	12	—
<b>Balance, end of year</b>	<b>\$ 189,509</b>	<b>\$ 51,194</b>	<b>\$ 455,167</b>	<b>\$ 585,422</b>	<b>\$ —</b>	<b>\$ 174,159</b>	<b>\$ 1,455,451</b>

See accompanying notes to financial statements.

## UNITED WAY SERVING KINGSTON, FRONTENAC, LENNOX & ADDINGTON

Statements of Changes in Net Assets (continued)

Years ended December 31, 2012 and 2011

December 31, 2011	Invested in 417 Bagot Group (note 5)	Invested in capital assets	Reserves (note 11)	Restricted for endowments	Internally restricted	Unrestricted	Total
Balance, beginning of year, as previously reported	\$ 174,344	\$ 29,321	\$ 430,000	\$ 586,372	\$ 14,644	\$ (7,485)	\$ 1,227,196
Change in accounting policy (note 2)	–	–	–	(9,500)	–	–	(9,500)
Balance, beginning of year, as restated	174,344	29,321	430,000	576,872	14,644	(7,485)	1,217,696
Excess of revenue over expenses	4,589	(16,656)	–	–	–	107,891	95,824
Endowment contributions	–	–	–	5,550	–	–	5,550
Net change in investment in capital assets (note 10)	–	49,819	–	–	–	(49,819)	–
Internally imposed restrictions	–	–	25,167	–	(14,632)	(10,535)	–
Balance, end of year	\$ 178,933	\$ 62,484	\$ 455,167	\$ 582,422	\$ 12	\$ 40,052	\$ 1,319,070

See accompanying notes to financial statements.

# UNITED WAY SERVING KINGSTON, FRONTENAC, LENNOX & ADDINGTON

## Statements of Cash Flows

Years ended December 31, 2012 and 2011

	2012	2011
Cash provided by (used for):		
Operating expenses:		
Excess of revenue over expenses	\$ 133,381	\$ 95,824
Items which do not involve cash:		
Amortization of capital assets	23,038	16,656
Income from joint venture	(10,576)	(4,589)
Change in non-cash working capital:		
Pledges receivable	14,878	(7,486)
Accounts receivable	16,708	(29,143)
Inventory	-	535
Prepaid expenses	5,215	(5,175)
Accounts payable and accrued liabilities	(48,932)	10,199
Monies held in trust	(190,000)	84,833
Deferred contributions non-campaign	62,652	40,812
Deferred campaign revenue	(3,914)	60,958
Deferred endowment revenue	-	600
	2,450	264,024
Financing activities:		
Endowment contributions	3,000	5,550
Investing activities:		
Purchase of capital assets	(11,748)	(49,819)
Decrease (increase) in long-term investments	(1,336,177)	22,680
	(1,347,925)	(27,139)
Increase (decrease) in cash	(1,342,475)	242,435
Cash, beginning of year	2,528,461	2,286,026
Cash, end of year	\$ 1,185,986	\$ 2,528,461
Represented by:		
Cash	\$ 672,707	\$ 920,642
Short-term investments	513,279	1,607,819
Cash, end of year	\$ 1,185,986	\$ 2,528,461

See accompanying notes to financial statements.



# UNITED WAY SERVING KINGSTON, FRONTENAC, LENNOX & ADDINGTON

Notes to Financial Statements

Years ended December 31, 2012 and 2011

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United Way Serving Kingston, Frontenac, Lennox & Addington ("UWKFLA") is a not-for-profit organization incorporated without share capital under the laws of Ontario. UWKFLA's services are provided to the Kingston, Frontenac, Lennox & Addington community. UWKFLA is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

UWKFLA's mission is to build and strengthen the community by bringing people and resources together to facilitate change. UWKFLA's vision is a future where people are self-sufficient in a community where individuals live with hope, dignity and a sense of belonging.

On January 1, 2012, UWKFLA adopted Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with Not-For-Profit standards.

In accordance with the transitional provisions in Not-For-Profit Standards, UWKFLA has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is January 1, 2011 and all comparative information provided has been presented by applying Not-For-Profit Standards.

There were no adjustments to net assets as at January 1, 2011 or excess of revenue over expenses for the year ended December 31, 2011 as a result of the transition to the Not-For-Profit Standards.

## 1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CICA Handbook.

### (a) Revenue recognition:

UWKFLA uses the deferral method of accounting for contributions for not-for-profit organizations.

UWKFLA 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. UWKFLA'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.

# UNITED WAY SERVING KINGSTON, FRONTENAC, LENNOX & ADDINGTON

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

## 1. Significant accounting policies (continued):

### (a) Revenue recognition (continued):

Other unrestricted contributions are recognized as revenue 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 other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized.

Endowment contributions are recognized as direct increases in endowment net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

### (b) Inventory:

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

### (c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to UWKFLA's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

	Rate
Furniture and equipment	20% diminishing balance or 10 years straight-line basis
Telephone system	30% diminishing balance basis
Computer equipment	30% diminishing balance or 2 to 3 years straight-line basis
Computer software	2 years straight-line basis
Leasehold improvements	10 years straight-line basis

# UNITED WAY SERVING KINGSTON, FRONTENAC, LENNOX & ADDINGTON

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

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## 1. Significant accounting policies (continued):

### (d) Contributed services:

Volunteers contribute a substantial number of hours each year to assist UWKFLA 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.

UWKFLA receives gifts in kind from some donors, primarily for campaign costs of printing, supplies and public relations. These amounts are excluded from revenue and expenses.

### (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 at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

### (f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. 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. UWKFLA has elected to carry all of its short-term investments and all of its long-term investments, excluding the investment in a joint venture, at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

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, UWKFLA 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 UWKFLA 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.

# UNITED WAY SERVING KINGSTON, FRONTENAC, LENNOX & ADDINGTON

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

## 2. Change in accounting policy:

During the year, UWKFLA changed its policy with respect to contributions from fund accounting to the deferral method. The change has been applied retroactively and has decreased net assets at January 1, 2011 as previously reported by \$9,500 representing an increase in deferred endowment revenue of \$9,500. This change has also had the effect of decreasing excess of revenue over expenses in 2011 by \$6,150 over that previously reported and of decreasing excess of revenue over expenses in the current year by \$3,000 from what would have been recognized under the former policy.

## 3. Short-term investments:

	December 31, 2012	December 31, 2011	January 1, 2011
Royal Premium Money Market Fund	\$ 309,659	\$ 1,405,944	\$ 997,098
RBC Guaranteed Investment Certificates - 0.80% maturing in December 2013	203,620	-	-
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 December 2010	-	-	250,508
	<b>\$ 513,279</b>	<b>\$ 1,607,819</b>	<b>\$ 1,497,698</b>

## 4. Pledges receivable:

	December 31, 2012	December 31, 2011	January 1, 2011
Preceding year's campaign	\$ 295,256	\$ 317,134	\$ 309,648
Less allowance for pledge losses	60,000	67,000	67,000
	<b>\$ 235,256</b>	<b>\$ 250,134</b>	<b>\$ 242,648</b>

# UNITED WAY SERVING KINGSTON, FRONTENAC, LENNOX & ADDINGTON

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

## 5. Long-term investments:

- (a) UWKFLA has a one-third interest in a joint venture, the 417 Bagot Group ("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, 2012. The following information represents UWKFLA's proportionate share of the assets, liabilities, revenue, expenses, excess of revenue over expenses and cash flows in this joint venture:

	December 31, 2012	December 31, 2011	January 1, 2011
<b>Assets</b>			
Cash	\$ 12,963	\$ 21,276	\$ 23,611
Accounts receivable	2,780	2,152	1,460
Due from related parties	2,760	678	564
Capital assets	212,489	212,872	221,154
	<b>\$ 230,992</b>	<b>\$ 236,978</b>	<b>\$ 246,789</b>

<b>Liabilities and Co-tenants' Equity</b>			
Accounts payable and accrued liabilities	\$ 4,210	\$ 4,140	\$ 2,761
Long-term debt	37,274	53,905	69,684
Co-tenant's capital	189,508	178,933	174,344
	<b>\$ 230,992</b>	<b>\$ 236,978</b>	<b>\$ 246,789</b>

### Excess of revenue over expenses:

	December 31, 2012	December 31, 2011
Revenue	\$ 52,073	\$ 53,220
Expenses	41,497	48,631
	<b>\$ 10,576</b>	<b>\$ 4,589</b>

### Cash provided by (used in):

	December 31, 2012	December 31, 2011
Operating activities	\$ 16,531	\$ 13,445
Financing activities	(16,633)	(15,780)
Investing activities	(8,211)	-

# UNITED WAY SERVING KINGSTON, FRONTENAC, LENNOX & ADDINGTON

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

## 5. Long-term investments (continued):

### (a) (continued):

There are no significant differences in accounting policies between 417 Bagot Group and UWKFLA. The amount reported as long-term investment on the Statement of Financial Position is determined as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Contributions since commencement	\$ 146,086	\$ 146,086	\$ 146,086
Gain in earning since commencement	43,423	32,847	28,258
	<b>\$ 189,509</b>	<b>\$ 178,933</b>	<b>\$ 174,344</b>

The three participants in the joint venture are jointly and severally liable for a mortgage on the property. As at December 31, 2012, the principal balance of the mortgage was \$111,821 (December 31, 2011 - \$161,717; January 1, 2011 - \$209,052).

### (b) Endowment assets:

	December 31, 2012	December 31, 2011	January 1, 2011
Mutual funds	\$ 1,317,018	\$ -	\$ -
Investments held with the Community Foundation for Kingston & Area	607,050	587,891	610,571
	<b>\$ 1,924,068</b>	<b>\$ 587,891</b>	<b>\$ 610,571</b>

# UNITED WAY SERVING KINGSTON, FRONTENAC, LENNOX & ADDINGTON

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

## 6. Capital assets:

December 31, 2012	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 77,725	\$ 64,560	\$ 13,165
Telephone system	36,146	36,007	139
Computer equipment	127,509	124,297	3,212
Computer software	61,739	28,589	33,150
Leasehold improvements	8,999	7,471	1,528
	<u>\$ 312,118</u>	<u>\$ 260,924</u>	<u>\$ 51,194</u>

December 31, 2011	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 77,725	61,637	\$ 16,088
Telephone system	36,146	35,947	199
Computer equipment	120,844	115,893	4,951
Computer software	56,654	17,548	39,106
Leasehold improvements	8,999	6,859	2,140
	<u>\$ 300,368</u>	<u>\$ 237,884</u>	<u>\$ 62,484</u>

January 1, 2011	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 77,725	\$ 57,982	\$ 19,743
Telephone system	36,146	35,862	284
Computer equipment	115,396	109,413	5,983
Computer software	12,283	11,827	456
Leasehold improvements	8,999	6,144	2,855
	<u>\$ 250,549</u>	<u>\$ 221,228</u>	<u>\$ 29,321</u>

# UNITED WAY SERVING KINGSTON, FRONTENAC, LENNOX & ADDINGTON

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

## 7. Accounts payable and accrued liabilities:

	December 31, 2012	December 31, 2011	January 1, 2011
Accounts payable and accrued liabilities	\$ 49,079	\$ 47,293	\$ 50,848
Donor designations	411,100	447,818	418,389
Grants payable	30,000	44,000	59,675
	<u>\$ 490,179</u>	<u>\$ 539,111</u>	<u>\$ 528,912</u>

Included in accounts payable and accrued liabilities are government remittances payable of \$1,123 (December 31, 2011 - \$909; January 1, 2011 - \$Nil), which includes amounts payable or HST and payroll-related taxes.

## 8. Monies held in trust:

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

- (a) administration of the Healthy Community Fund application process;
- (b) determination and approval of grants from the Healthy Community 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.

	December 31, 2012	December 31, 2011	January 1, 2011
Opening balance	\$ 190,000	\$ 105,167	\$ 4,800
Receipts	–	190,000	404,845
Disbursements	(190,000)	(105,167)	(304,478)
Ending balance	<u>\$ –</u>	<u>\$ 190,000</u>	<u>\$ 105,167</u>



# UNITED WAY SERVING KINGSTON, FRONTENAC, LENNOX & ADDINGTON

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

## 9. Deferred campaign revenue:

Pursuant to the accounting policy, campaign revenue relating to the 2012 campaign has been deferred to 2013 and will be used to fund allocations to agencies during that year.

## 10. Invested in capital assets:

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

	December 31, 2012	December 31, 2011	January 1, 2011
Capital assets	\$ 51,194	\$ 62,484	\$ 29,321

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

	December 31, 2012	December 31, 2011
Excess of revenue over expenses:		
Amortization of capital assets	\$ (23,038)	\$ (16,656)
Net change in investment in capital assets:		
Purchase of capital assets	\$ 11,748	\$ 49,819

## 11. Reserves:

Reserves consist of:

	December 31, 2012	December 31, 2011	January 1, 2011
Contingency Reserve Fund	\$ 130,000	\$ 130,000	\$ 130,000
United Way Agency Funding Reserve	325,167	325,167	300,000
Ending balance	\$ 455,167	\$ 455,167	\$ 430,000

(a) 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 UWKFLA's Board of Directors.

# UNITED WAY SERVING KINGSTON, FRONTENAC, LENNOX & ADDINGTON

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

## 11. Reserves (continued):

### (b) United Way Agency Funding Reserve:

In accordance with policy, the balance in the reserve fund 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 UWKFLA's Board of Directors.

## 12. Direct expenses in revenue:

UWKFLA has netted direct expenses related to specific events that are run by UWKFLA against revenue. The total direct expenses included in revenue on the Statement of Operations are as follows:

December 31, 2012	Events revenue	Direct expenses	Net
Campaign revenue	\$ 38,597	\$ 30,584	\$ 8,013

December 31, 2011	Events revenue	Direct expenses	Net
Campaign revenue	\$ 44,564	\$ 34,462	\$ 10,102

## 13. Pledge loss:

	December 31, 2012	December 31, 2011
Pledge loss – current year campaign	\$ (60,000)	\$ (67,000)
Pledge loss – recovery of prior year's campaign	23,653	17,654
	\$ (36,347)	\$ (49,346)

# UNITED WAY SERVING KINGSTON, FRONTENAC, LENNOX & ADDINGTON

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

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## 14. Areas of service designations:

The amount of \$175,932 (2011 - \$162,607) represents designations to areas of service through the Campaign 2010 Donor Choice program. These designations were collected through payroll pledge received through the calendar year 2011, and were paid out during the 2012 process of determining agency allocations.

## 15. Commitments:

UWKFLA 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.

UWKFLA leases a postage machine for \$635 per quarter expiring September 2018. UWKFLA 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:

2013	\$	46,005
2014		46,005
2015		46,005
2016		45,300
2017		44,596
		<hr/>
		\$ 227,911

## 16. Related party transactions:

UWKFLA has a one third interest in a joint venture, the 417 Bagot Group, as detailed in note 5 to these financial statements. UWKFLA 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 amount, being the amount of consideration established and agreed to by the relevant party.

# UNITED WAY SERVING KINGSTON, FRONTENAC, LENNOX & ADDINGTON

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

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## 17. Employer-employee group plan:

UWKFLA is a participant in a group registered retirement savings plan. UWKFLA contributes, on behalf of each eligible employee, an amount equal to the employee's contribution to a maximum of 5% earnings. During the year, UWKFLA expensed \$24,933 (2011 - \$24,902) under this group registered retirement savings plan arrangement

## 18. Financial risks and concentration of risk:

As a result of holding financial instruments, UWKFLA is exposed to investment risk, market risk, interest risk and credit risk. The following is a description of those risks and how UWKFLA 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 risk. UWKFLA mitigates these risks with an investment policy designated 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 entities 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.

### (c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. UWKFLA is exposed to credit risk with respect to the pledges receivable, short-term investments and certain of its long-term investments. UWKFLA assesses, on a continuous basis, pledges receivable, short-term investments and certain of its long-term investments and provides for any amounts that are not collectible. UWKFLA has provided for certain pledges receivable as disclosed in note 4. UWKFLA has determined that there is no impairment to the accounts receivable or the relevant investment balances as at December 31, 2012.

# UNITED WAY SERVING KINGSTON, FRONTENAC, LENNOX & ADDINGTON

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

## 19. Re-allocation of administration expenses:

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

	December 31, 2012	December 31, 2011
Fundraising	37%	37%
Program	32%	32%
Community impact initiatives fund	31%	31%
	100%	100%

## 20. Management of capital:

UWKFLA defines its capital as the amounts included in its net assets.

Contributions restricted for endowment consist of externally restricted donations received by UWKFLA. The endowment principal is required to be maintained intact. The investment income must be used in accordance with the various purposes established by the donors. UWKFLA ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

UWKFLA manages the net asset structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets.

UWKFLA'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 UWKFLA'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 11 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 out the year.

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

UWKFLA monitors its financial performance against an annual budget. In the event that revenue declines, UWKFLA will budget for reduced distributions and reduced operational expenses.

# UNITED WAY SERVING KINGSTON, FRONTENAC, LENNOX & ADDINGTON

## Schedule 1 – Administration, Fundraising and United Way Program Expenses

Years ended December 31, 2012 and 2011

December 31, 2012	Administration	Fundraising	Programs	Total
<b>Direct costs:</b>				
Salaries and benefits	\$ 109,957	\$ 315,756	\$ 182,690	\$ 608,403
Other direct costs	42,097	87,480	18,568	148,145
	152,054	403,236	201,258	756,548
Amortization of capital assets	23,038	–	–	23,038
Dues and shared costs	–	–	25,567	25,567
General office	634	1,062	666	2,362
Occupancy costs	5,517	16,588	9,611	31,716
<b>Total expenses before reallocation of administrative expenses and cost recovery of donor choice designations</b>				
	181,243	420,886	237,102	839,231
Reallocation of administrative expenses	(181,243)	67,060	57,998	(56,185)
Cost recovery of donor choice designations	–	(12,097)	–	(12,097)
<b>Total expenses</b>	<b>\$ –</b>	<b>\$ 475,849</b>	<b>\$ 295,100</b>	<b>\$ 770,949</b>

# UNITED WAY SERVING KINGSTON, FRONTENAC, LENNOX & ADDINGTON

Schedule 1 – Administration, Fundraising and United Way Program Expenses (continued)

Years ended December 31, 2012 and 2011

December 31, 2011	Administration	Fundraising	Programs	Total
<b>Direct costs:</b>				
Salaries and benefits	\$ 110,879	\$ 257,779	\$ 170,145	\$ 538,803
Other direct costs	44,924	81,043	15,234	141,201
	155,803	338,822	185,379	680,004
Amortization of capital assets	16,656	–	–	16,656
Dues and shared costs	–	–	25,044	25,044
General office	4,220	8,300	5,583	18,103
Occupancy costs	6,436	15,239	10,101	31,776
<b>Total expenses before reallocation of administrative expenses and cost recovery of donor choice designations</b>				
	183,115	362,361	226,107	771,583
Reallocation of administrative expenses	(183,115)	67,753	58,597	(56,765)
Cost recovery of donor choice designations	–	(14,141)	–	(14,141)
<b>Total expenses</b>	<b>\$ –</b>	<b>\$ 415,973</b>	<b>\$ 284,704</b>	<b>\$ 700,677</b>

# UNITED WAY SERVING KINGSTON, FRONTENAC, LENNOX & ADDINGTON

Schedule 2 – Community Impact Initiative

Years ended December 31, 2012 and 2011

	2012	%	2011	%
Direct costs:				
Success by Six	\$ 56,000	23.1	\$ 63,488	28.5
Leadership Development Volunteer Centre	87,030	35.9	74,264	33.4
Homelessness	31,030	12.8	28,803	13.0
211 Program	12,363	5.1	8,472	3.8
Action for Neighborhood Change	24,969	10.3	22,026	9.9
Poverty Reduction	31,030	12.8	25,415	11.4
	242,422	100.0	222,468	100.0
Reallocation of administration expenditures	56,185		56,765	
	\$ 298,607		\$ 279,233	