Financial Statements of

UNITED WAY OF KFL&A

Year ended December 31, 2014

KPMG

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INDEPENDENT AUDITORS' REPORT

To the Members of United Way of KFL&A

We have audited the accompanying financial statements of United Way of KFL&A, which comprise the statement of financial position as at December 31, 2014, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

In common with many charitable organizations, United Way of KFL&A 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, 2013 and December 31, 2014, 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 of KFL&A as at December 31, 2014, and its results of operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 16, 2015

Kingston, Canada

UNITED WAY OF KFL&A

Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
Assets		
Current assets:		
Cash	$ 555,851	$ 545,485
Short-term investments (note 2)	461,589	860,910
Pledges receivable (note 3)	283,027	294,916
Accounts receivable	36,466	38,353
Prepaid expenses	17,672	8,583
	1,354,605	1,748,247
Long-term investments (note 4)	2,412,161	2,082,887
Capital assets (note 5)	41,912	43,653
	$ 3,808,678	$ 3,874,787
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	$ 615,876	$ 590,431
Monies held in trust (note 7)	–	5,150
Deferred contributions non-campaign	43,250	109,222
Deferred campaign revenue	1,593,349	1,759,043
Deferred endowment revenue	–	10,100
	2,252,475	2,473,946
Net assets:		
Invested in 417 Bagot Group (note 4)	404,047	203,924
Invested in capital assets (note 8)	41,912	43,653
Reserves (note 9)	418,667	455,167
Endowments	598,422	596,922
Unrestricted	93,155	101,175
	1,556,203	1,400,841
Commitments (note 13)		
	$ 3,808,678	$ 3,874,787

See accompanying notes to financial statements.

On behalf of the Board of Directors:

_______________ Director   _______________ Director

UNITED WAY OF KFL&A

Statement of Operations

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Revenue:		
Campaign revenue (note 10)	$ 3,320,382	$ 3,350,154
Funds transferred from other United Ways	27,392	30,027
Funds transferred to other United Ways	(28,243)	(33,842)
Community special events	277,670	97,114
Gross campaign revenue	3,597,201	3,443,453
Pledge loss (note 11)	(65,884)	(46,104)
Net campaign revenue	3,531,317	3,397,349
Homelessness partnership strategy grant	192,058	171,831
Areas of service designations (note 12)	187,092	180,312
Unrealized gains on investments	59,106	94,770
Realized gains on investments	52,353	22,404
Investment income	47,121	37,938
Donations and other revenue	35,455	42,553
Program grants	22,988	22,989
	4,127,490	3,970,146
Expenses:		
Allocations and programs:		
Program grants	1,828,081	1,860,159
United Way programs (schedules 1 and 2)	801,981	664,068
Donor choice designations	648,562	699,990
Homelessness partnership strategy grant	179,462	171,831
United Way dues and shared costs	31,084	26,944
Youth Homelessness	3,018	–
Communications and awareness project	1,228	17,119
	3,493,416	3,440,111
Operations:		
Fundraising (schedule 1)	445,199	533,767
Community special events	27,222	69,640
Investment management fee	7,914	7,153
	3,973,751	4,050,671
Excess of revenue over expenses (expenses over revenue) before the undernoted	153,739	(80,525)
Income from joint venture	123	14,415
Excess of revenue over expenses (expenses over revenue)	$ 153,862	$ (66,110)

See accompanying notes to financial statements.

UNITED WAY OF KFL&A
Statement of Changes in Net Assets

Year ended December 31, 2014, with comparative information for 2013

	Invested in 417 Bagot Group (note 4(a))	Invested in capital assets (note 8)	Reserves (note 9)	Restricted for endowments (note 18)	Unrestricted	2014 Total	2013 Total
Balance, beginning of year	$ 203,924	$ 43,653	$ 455,167	$ 596,922	$ 101,175	$ 1,400,841	$ 1,455,451
Excess of revenue over expenses (expenses over revenue)	123	(16,150)	–	–	169,889	153,862	(66,110)
Endowment contributions	–	–	–	1,500	–	1,500	11,500
Additional investment in 417 Bagot Group (note 9(b))	200,000	–	(200,000)	–	–	–	–
Interfund transfer	–	–	163,500	–	(163,500)	–	–
Net change in investment in capital assets (note 8)	–	14,409	–	–	(14,409)	–	–
Balance, end of year	$ 404,047	$ 41,912	$ 418,667	$ 598,422	$ 93,155	$ 1,556,203	$ 1,400,841

See accompanying notes to financial statements.

UNITED WAY OF KFL&A

Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used for):		
Operating expenses:		
Excess of revenue over expenses (expenses over revenue)	$ 153,862	$ (66,110)
Item which does not involve cash:		
Amortization of capital assets	16,150	13,764
Change in non-cash working capital:		
Pledges receivable	11,889	(59,660)
Accounts receivable	1,887	(14,840)
Prepaid expenses	(9,089)	1,072
Accounts payable and accrued liabilities	25,445	100,252
Monies held in trust	(5,150)	5,150
Deferred contributions non-campaign	(65,972)	4,642
Deferred campaign revenue	(165,694)	200,172
Deferred endowment revenue	(10,100)	–
	(46,772)	184,442
Financing activities:		
Endowment contributions	1,500	11,500
Investing activities:		
Purchase of capital assets	(14,409)	(6,223)
Decrease (increase) in long-term investments	(329,274)	30,690
	(343,683)	24,467
Increase (decrease) in cash	(388,955)	220,409
Cash, beginning of year	1,406,395	1,185,986
Cash, end of year	$ 1,017,440	$ 1,406,395
Represented by:		
Cash	$ 555,851	$ 545,485
Short-term investments	461,589	860,910
Cash, end of year	$ 1,017,440	$ 1,406,395

See accompanying notes to financial statements.

United Way of KFL&A is a not-for-profit organization incorporated without share capital under the laws of Ontario. United Way of KFL&A's services are provided to the Kingston, Frontenac, Lennox & Addington community. United Way of KFL&A 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. These requirements have been met as at December 31, 2014.

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

In 2014, United Way of KFL&A made a major reinvestment into their facilities by increasing their interest in 417 Bagot Group from one-third to one-half. With this investment, the United Way of KFL&A can continue to ensure that future administrative costs remain low as the co-owner of their own facilities.

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 CPA Canada Handbook – Accounting.

(a) Revenue recognition:

United Way of KFL&A uses the deferral method of accounting for contributions for not-for-profit organizations.

United Way of KFL&A 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. This policy conforms with that adopted by the majority of United Way organizations.

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 and investment income.

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

1. Significant accounting policies (continued):

(a) Revenue recognition (continued):

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) 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 United Way of KFL&A's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized 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

(c) Contributed services:

Volunteers contribute a substantial number of hours each year to assist United Way of KFL&A 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.

United Way of KFL&A receives gifts in kind from some donors, primarily for campaign costs of printing, supplies, advertising and public relations. These amounts are excluded from revenue and expenses.

(d) 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.

1. Significant accounting policies (continued):

(e) Net asset reserves:

(i) Contingency Reserve Fund:

There is a requirement for United Way of KFL&A to be fiscally responsible in its operations, which requires United Way of KFL&A to be in a position to meet outstanding obligations to staff and third parties under any unexpected circumstances. These funds are intended for contingency purposes, to be accessed only after formal approval of United Way of KFL&A's Board of Directors.

(ii) United Way Agency Funding Reserve:

United Way of KFL&A recognizes the possibility that there could be a year where the state of the economy may be the determining factor in United Way of KFL&A not being able to reach its established goal. A significant shortfall would then reflect on the availability of funding to agencies. These funds are internally restricted and are intended for agency allocation purposes, to be accessed only after formal approval of United Way of KFL&A's Board of Directors.

(iii) Youth Homelessness Reserve:

Using proceeds from the Kingston Penitentiary Tours, the Board of Directors passed a motion to set aside these funds to be spent in the area of youth homelessness. This reserve is internally restricted and is intended for the programs that support the plan to end youth homelessness.

(iv) Endowment Reserve:

The endowment reserve is an Eternity Fund managed by the Community Foundation for Kingston & Area and is externally restricted with the principal being preserved in perpetuity. The income earned from the Eternity Fund is internally restricted and is used to support essential programs ensuring donations to the Eternity Fund will benefit future generations.

(v) Unrestricted Reserve:

This reserve is the cumulative surplus/deficit of United Way of KFL&A activities and it is up to the discretion of the United Way of KFL&A Board of Directors regarding the use of these funds.

(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. United Way of KFL&A 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.

1. Significant accounting policies (continued):

(f) Financial instruments (continued):

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, United Way of KFL&A determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount United Way of KFL&A 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.

2. Short-term investments:

	2014	2013
Royal Premium Money Market Fund	$ 61,589	$ 60,910
RBC Guaranteed Investment Certificate - 1% maturing in December 2015	400,000	800,000
	$ 461,589	$ 860,910

Short-term investments are invested in a manner to allow the organization to access funds for operational needs on short-term notice with minimal investment risk.

During the year, $400,000 of Guaranteed Investment Certificates were cashed in to purchase an additional interest in 417 Bagot Group in the amount of $200,000, and to provide cash flow for operations.

3. Pledges receivable:

	2014	2013
2013 Campaign	$ 333,525	$ –
2012 Campaign	9,502	339,934
2011 Campaign	–	14,982
Less allowance for pledge losses	60,000	60,000
	$ 283,027	$ 294,916

4. Long-term investments:

(a) Investment in 417 Bagot Group:

United Way of KFL&A has a one-half interest in a joint venture, the 417 Bagot Group ("Group"), together with another agency (K3C Community Counselling Centres) to own and manage the building in which the two 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, 2014. The following information represents United Way of KFL&A's proportionate share of the assets, liabilities, revenue, expenses, excess of revenue over expenses and cash flows in this joint venture:

		2014		2013
Assets				
Cash	$	37,040	$	20,375
Accounts receivable		11,136		2,046
Due from related parties		1,681		2,109
Capital assets		408,422		203,715
	$	458,279	$	228,245

		2014		2013
Liabilities and Co-tenants' Capital				
Accounts payable and accrued liabilities	$	5,179	$	3,808
Current portion of long-term debt		7,317		–
Long-term debt		139,776		20,513
Co-tenant's capital		306,007		203,924
	$	458,279	$	228,245

Excess of revenue over expenses:

		2014		2013
Revenue	$	82,087	$	54,067
Expenses		59,427		39,652
	$	22,660	$	14,415

4. Long-term investments (continued):

(a) Investment in 417 Bagot Group (continued):

Cash provided by (used in):

		2014		2013
Operating activities	$	6,441	$	24,173
Financing activities		116,324		(16,761)
Investing activities		(116,288)		–

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

		2014		2013
Contributions since commencement	$	146,086	$	146,086
Gain in earnings since commencement		80,498		57,838
Reallocation of co-tenants' capital up to one-half share		101,960		–
Payment of market value in excess of book value for one-third share up to one-half share		98,040		–
Major repairs funded by the replacement reserve		(22,537)		–
	$	404,047	$	203,924

The two participants in the joint venture are jointly and severally liable for a loan. As at December 31, 2014, the principal balance of the loan in aggregate is $294,186 (2013 - $61,538). During the year, 417 Bagot Group borrowed additional debt for the purpose of major renovations and building maintenance required by the facility.

(b) Financial investments:

		2014		2013
Mutual funds	$	1,281,553	$	1,195,185
Investments held with the Community Foundation for Kingston & Area		726,561		683,778
	$	2,008,114	$	1,878,963

4. Long-term investments (continued):

As per the United Way of KFL&A's Investment Policy, short-term needs require short-term solutions, such as cash accounts (extremely liquid cash) or low risk fixed income type of investments. Longer term needs, may allow time to invest in equities, which generally have higher short-term risks but better long-term growth potential.

Unrestricted reserves are to be invested in a manner that when needed, the investments can be converted to cash on short-term notice with minimal investment risk.

Restricted reserves may be invested in longer term investments to grow the investment pool by at least the annual rate of inflation.

Endowment Fund will follow the investment strategy as per Community Foundation for Kingston & Area.

5. Capital assets:

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Furniture and equipment	$ 79,042	$ 68,679	$ 10,363	$ 10,904
Telephone system	43,537	37,255	6,282	–
Computer equipment	127,509	126,607	902	3,124
Computer software	73,663	49,980	23,683	28,583
Leasehold improvements	8,999	8,317	682	1,042
	$ 332,750	$ 290,838	$ 41,912	$ 43,653

Cost and accumulated amortization of capital assets at December 31, 2013 amounted to $318,340 and $274,687, respectively.

6. Accounts payable and accrued liabilities:

	2014	2013
Accounts payable and accrued liabilities	$ 117,774	$ 95,860
Donor designations	472,962	466,071
Grants payable	25,140	28,500
	$ 615,876	$ 590,431

Included in accounts payable and accrued liabilities are government remittances payable of $6,146 (2013 - $1,030), which includes amounts payable for harmonized sales tax and payroll-related taxes.

7. Monies held in trust:

In 2007, United Way of KFL&A entered into a contract with the Corporation of the City of Kingston (the "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.

		2014		2013
Opening balance	$	5,150	$	–
Receipts		–		190,000
Disbursements		(5,150)		(184,850)
Ending balance	$	–	$	5,150

8. Invested in capital assets:

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

		2014		2013
Capital assets	$	41,912	$	43,653

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

		2014		2013
Excess of expenses over revenue:				
Amortization of capital assets	$	(16,150)	$	(13,764)
Net change in investment in capital assets:				
Purchase of capital assets	$	14,409	$	6,223

9. Reserves:

Reserves consist of:

		2014		2013
Contingency Reserve Fund	$	130,000	$	130,000
United Way Agency Funding Reserve		125,167		325,167
Youth Homelessness Reserve		163,500		–
Balance, December 31	$	418,667	$	455,167

(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 United Way of KFL&A's Board of Directors.

(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 United Way of KFL&A's Board of Directors.

During the year, a withdrawal of $200,000 was made from the United Way Agency Funding Reserve to fund an additional investment in 417 Bagot Group. In 2014, United Way of KFL&A purchased one-half of the one-third share of 417 Bagot Group that was previously held by Home Base Housing. It is the intention of United Way of KFL&A to repay this reserve in the amount of $20,000 per annum in each of the next ten years.

(c) Youth Homelessness Reserve:

During the year, the Board of Directors approved an allocation of $163,500 to a reserve to support youth homelessness projects in the future.

10. Direct expenses in revenue:

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

		Events revenue		Direct expenses		2014 Net		2013 Net
Campaign revenue	$	49,699	$	27,865	$	21,834	$	17,723

11. Pledge loss:

	2014	2013
Pledge loss - current year campaign	$ (60,000)	$ (60,000)
Recovery (pledge loss) - relating to 2012 and earlier campaigns	(5,884)	13,896
	$ (65,884)	$ (46,104)

12. Areas of service designations:

The amount of $187,092 (2013 - $180,312) represents designations to areas of service through the Campaign 2012 Donor Choice program. These designations were collected through payroll pledge received through the calendar year 2013, and were paid out during the 2014 process of determining agency allocations.

13. Commitments:

United Way of KFL&A 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 $4,586 and has no pre determined expiration date.

United Way of KFL&A also leases various office equipment under various leases.

The minimum annual lease payments on all existing lease agreements for the next five years are as follows:

2015	$ 63,169
2016	62,322
2017	59,779
2018	59,779
2019	55,030
	$ 300,079

14. Related party transactions:

United Way of KFL&A has a one-half interest in a joint venture, the 417 Bagot Group, as detailed in note 4 to these financial statements. United Way of KFL&A rents premises from the joint venture as disclosed in note 13.

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.

15. Employer-employee group plan:

United Way of KFL&A is a participant in a group registered retirement savings plan. United Way of KFL&A contributes, on behalf of each eligible employee, an amount equal to the employee's contribution to a maximum of 5% earnings. During the year, United Way of KFL&A expensed $36,117 (2013 - $28,777) under this group registered retirement savings plan arrangement.

16. Financial risks and concentration of risk:

As a result of holding financial instruments, United Way of KFL&A is exposed to investment risk, market risk, interest risk and credit risk. The following is a description of those risks and how United Way of KFL&A 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. United Way of KFL&A 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. United Way of KFL&A is exposed to credit risk with respect to the pledges receivable, accounts receivable, short-term investments and certain of its long-term investments. United Way of KFL&A assesses, on a continuous basis, pledges receivable, accounts receivable, short-term investments and certain of its long-term investments and provides for any amounts that are not collectible. United Way of KFL&A has provided for certain pledges receivable as disclosed in note 3. United Way of KFL&A has determined that there is no impairment to the accounts receivable or the relevant investment balances as at December 31, 2014.

17. Re-allocation of administration expenses:

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

	2014	2013
Fundraising	33%	46%
Program	28%	23%
Community impact initiatives	39%	31%
	100%	100%

In 2013, a large amount of staff time was required in fundraising related to the Kingston Penitentiary tours which resulted in a higher ratio of administrative costs. Conversely, during 2014, the Board of Directors made a decision to allocate more staff time to the areas of poverty reduction and youth homelessness which resulted in proportionately less time spent in the area of fundraising.

18. Management of capital:

United Way of KFL&A defines its capital as the amounts included in its net assets.

Contributions restricted for endowment consist of externally restricted donations received by United Way of KFL&A. 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. United Way of KFL&A 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.

United Way of KFL&A manages the net asset structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets.

United Way of KFL&A'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 United Way of KFL&A's capital is restricted in that the organization is required to meet certain requirements to utilize its externally and internally restricted net assets, as described in note 9 for Reserves. United Way of KFL&A 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.

18. Management of capital (continued):

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 United Way of KFL&A's short and long-term objectives.

United Way of KFL&A monitors its financial performance against an annual budget. In the event that revenue declines, United Way of KFL&A will budget for reduced distributions and reduced operational expenses.

19. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

UNITED WAY OF KFL&A

Schedule 1 - Administration, Fundraising and United Way Program Expenses

Year ended December 31, 2014, with comparative information for 2013

	Administration	Fundraising	Programs	2014 Total	2013 Total
Direct costs:					
Salaries and benefits	$ 230,373	$ 262,068	$ 219,306	$ 711,747	$ 650,222
Other direct costs	67,222	84,226	23,166	174,614	169,822
	297,595	346,294	242,472	886,361	820,044
Amortization of capital assets	16,150	–	–	16,150	13,764
General office	–	–	–	–	5,015
Occupancy costs	11,431	12,431	10,430	34,292	29,398
Total expenses before reallocation of administrative expenses and cost recovery	325,176	358,725	252,902	936,803	868,221
Reallocation of administrative expenses (note 17)	(325,176)	107,308	91,049	(126,819)	(57,470)
Cost recovery	–	(20,834)	(6,558)	(27,392)	(12,753)
Total expenses	$ –	$ 445,199	$ 337,393	$ 782,592	$ 797,998

UNITED WAY OF KFL&A

Schedule 2 - Community Impact Initiatives

Year ended December 31, 2014, with comparative information for 2013

	2014	%	2013	%
Direct costs:				
Success by Six	$ 63,917	19.0	$ 65,050	19.0
Leadership Development Volunteer Centre	92,392	27.0	92,439	27.0
Homelessness	50,608	15.0	51,355	15.0
211 Program	17,654	5.0	17,118	5.0
Poverty Reduction	113,198	34.0	116,405	34.0
	337,769	100.0	342,367	100.0
Reallocation of administration expenses (schedule 1)	126,819		57,470	
	$ 464,588		$ 399,837	