Financial Statements of

UNITED WAY OF KFL&A

And Independent Auditors' Report Thereon

Year ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Members of United Way of KFL&A

Qualified Opinion

We have audited the financial statements of United Way of KFL&A, which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- that statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of United Way of KFL&A as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, United Way of KFL&A derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of United Way of KFL&A.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at December 31, 2019 and December 31, 2018
- the donations revenue and excess of revenue over expenses reported in the statements of operations for the years ended December 31, 2019 and December 31, 2018
- the unrestricted net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended December 31, 2019 and December 31, 2018
- the excess of revenue over expenses reported in the statements of cash flows for the years ended December 31, 2019 and December 31, 2018

Our opinion on the financial statements for the year ended and December 31, 2018 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the financial statements"*** section of our auditors' report.

We are independent of United Way of KFL&A in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter – Comparative Information

We draw attention to note 17 to the financial statements, which explains that certain comparative information that is presented for the year ended December 31, 2018 has been restated.

Note 17 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the financial statements

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

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

Those charged with governance are responsible for overseeing the United Way of KFL&A's financial reporting process.

Auditors' Responsibilities for the Audit of the financial statements

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of United Way of KFL&A's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on United Way of KFL&A's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause United Way of KFL&A to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within United Way of KFL&A to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

April 16, 2020

UNITED WAY OF KFL&A

Statement of Financial Position

December 31, 2019, with comparative information for 2018

		2019		2018 (Restated, note 17)
Assets				
Current assets:				
Cash	$	1,114,930	$	1,072,807
Short-term investments (note 3)		1,119,741		1,012,214
Accounts receivable		30,719		40,132
Prepaid expenses		11,569		1,785
		2,276,959		2,126,938
Long-term investments (note 4)		4,469,273		3,778,767
Capital assets (note 5)		16,462		34,973
	$	6,762,694	$	5,940,678
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 6)	$	724,623	$	517,964
Monies held in trust (note 7)		206,190		23,967
Deferred contributions non-campaign		186,937		104,155
Deferred campaign revenue		–		240,000
		1,117,750		886,086
Net assets:				
Invested in 417 Bagot Group (note 4(a))		417,128		409,619
Invested in capital assets (note 8)		16,462		34,973
Reserves (note 9)		2,216,000		387,590
Endowments		2,416,760		2,127,669
Unrestricted		578,594		2,094,741
		5,644,944		5,054,592
Commitments (note 10)				
Subsequent event and contingencies (note 18)				
	$	6,762,694	$	5,940,678

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, 2019, with comparative information for 2018

	2019	2018
		(Restated, note 17)
Revenue:		
Campaign revenue	$ 3,462,936	$ 3,364,663
Funds transferred from other United Ways	10,304	51,183
Funds transferred to other United Ways	(21,256)	(25,851)
Community special events	40,180	187,232
Gross campaign revenue	3,492,164	3,577,227
Kingston Penitentiary tours	735,125	921,415
Homelessness partnership strategy grant	245,365	273,877
Investment income	31,421	49,787
Donations and other revenue, including grants	60,926	68,075
Rockin' the Big House	413,793	–
	4,978,794	4,890,381
Expenses:		
Allocations and programs:		
Program grants	1,960,100	1,913,785
Distributions and Community Programs and Services (schedule 1)	402,746	340,996
United Way Community Impact Initiatives	251,574	189,456
Donor choice designations	391,403	286,052
Homelessness partnership strategy grants	219,731	217,327
United Way dues and shared costs	42,938	34,001
Youth Homelessness	1,022,652	797,262
	4,291,144	3,778,879
Operations:		
Fundraising (schedule 1)	628,444	683,257
Community special events	24,285	72,824
Investment management fee	11,496	13,598
Rockin' the Big House	189,295	–
	5,144,664	4,548,558
Excess (deficiency) of revenue over expenses before the undernoted	(165,870)	341,823
Income from joint venture	7,509	1,083
Change in fair value of investments	459,622	(95,621)
Excess of revenue over expenses	$ 301,261	$ 247,285

See accompanying notes to financial statements.

UNITED WAY OF KFL&A

Statement of Changes in Net Assets

Year ended December 31, 2019, with comparative information for 2018

	Invested in 417 Bagot Group	Invested in capital assets	Reserves	Restricted for endowments	Unrestricted	2019 Total	2018 Total
	(note 4(a))	(note 8)	(note 9)	(note 16)			(Restated, note 17)
Balance, beginning of year (restated, note 17)	$ 409,619	$ 34,973	$ 387,590	$ 2,127,669	$ 2,094,741	$ 5,054,592	$ 4,637,891
Excess (deficiency) of revenue over expenses	7,509	(18,511)	–	–	312,263	301,261	247,285
Endowment contributions	–	–	–	289,091	–	289,091	169,416
Interfund transfer	–	–	1,828,410	–	(1,828,410)	–	–
Balance, end of year	$ 417,128	$ 16,462	$ 2,216,000	$ 2,416,760	$ 578,594	$ 5,644,944	$ 5,054,592

See accompanying notes to financial statements.

UNITED WAY OF KFL&A

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
		(Restated, note 17)
Cash provided by (used for):		
Operating expenses:		
Excess of revenue over expenses	$ 301,261	$ 247,285
Item which does not involve cash:		
Amortization of capital assets	18,511	16,747
Change in fair value of investments	(459,622)	95,621
Income from joint venture	(7,509)	(1,083)
Change in non-cash working capital:		
Accounts receivable	9,413	(3,834)
Prepaid expenses	(9,784)	8,037
Accounts payable and accrued liabilities	206,659	34,976
Monies held in trust	182,223	8,577
Deferred contributions non-campaign	82,782	47,897
Deferred campaign revenue	(240,000)	(240,000)
	83,934	214,223
Financing activities:		
Endowment contributions	289,091	169,416
Investing activities:		
Purchase of capital assets	–	(8,261)
Net purchase of long-term investments	(223,375)	(354,366)
	(223,375)	(362,627)
Increase in cash	149,650	21,012
Cash, beginning of year	2,085,021	2,064,009
Cash, end of year	$ 2,234,671	$ 2,085,021
Represented by:		
Cash in bank	$ 1,114,930	$ 1,072,807
Short-term investments	1,119,741	1,012,214
Cash, end of year	$ 2,234,671	$ 2,085,021

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.

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.

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 follows the deferral method of accounting for contributions which include donations and government grants.

United Way of KFL&A conducts a public campaign for funds each year.

Unrestricted campaign revenue through either pledge payments or one-time donations are recorded as revenue in the year in which they are received.

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.

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.

1. Significant accounting policies (continued):

(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

The carrying amount of an item of capital assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value.

(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.

1. Significant accounting policies (continued):

(e) Net asset reserves:

(i) Contingency Reserve:

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) Endowment Reserve:

The endowment reserve is an Eternity Fund managed by the United Way of KFL&A Investment Committee 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.

(iii) 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) Employee future benefits:

United Way of KFL&A has a defined contribution plan providing pension and post-employment benefits for its employees. The cost of the defined contribution plan is based on the required contributions during each period.

(g) 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 subsequently 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.

1. Significant accounting policies (continued):

(g) Financial instruments (continued):

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. Changes in accounting standards:

In March 2018, the Accounting Standards Board issued “Basis for Conclusions - Accounting Standards Improvements for Not-for-Profit Organizations” resulting in the introduction of three new handbook sections in the Accounting Standards for Not-for-Profit Organizations Part III of the Handbook as follows:

(a) Section 4433, Tangible capital assets held by not-for-profit organizations, which directs organizations to apply the accounting guidance of Section 3061, Property Plant and Equipment in Part II of the Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components.

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairments of tangible assets that existed as at January 1, 2019.

(b) Section 4434, Intangible assets held by not-for-profit organizations, which directs organizations to annually assess intangible assets, and where applicable to record an impairment expenses should the net carrying value be higher than the asset’s fair value or replacement cost. This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairment of intangible assets that existed as at January 1, 2019.

2. Changes in accounting standards (continued):

(c) Section 4441, Collections held by not-for-profit organizations, which defines a collection and directs organizations to record such assets on the statement of financial position at either cost or nominal value. It is anticipated that all collections will be accounted for using the same method, with the exception of organizations that opt to account for collections at cost, whereby the cost for certain collections either held or contributed cannot be determined. Such items are to be accounted for at a nominal value. In addition, collections are written down when there is evidence that the net carrying amount exceeds fair value.

Organizations are permitted to retrospectively capitalize collections at their cost or fair value at the date of acquisition, or fair value or replacement cost as at January 1, 2019, based on the most readily determinable value. In addition, an adjustment to opening net assets is permitted to recognize any partial impairment of the value of collections that existed as at January 1, 2019

The amendments are effective for financial statements for fiscal years beginning on or after January 1, 2019.

The implementation of these changes had no impact on the financial statements.

3. Short-term investments:

	2019	2018
High interest savings account	$ 1,119,741	$ 1,012,214

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.

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 (Resolve – Counselling Services Canada) 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, 2019. 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:

	2019	2018
Assets		
Cash	$ 58,298	$ 42,472
Accounts receivable	1,320	1,395
Prepaid expenses	52	–
Capital assets	370,776	387,400
	$ 430,446	$ 431,267

	2019	2018
Liabilities and Co-tenants' Capital		
Accounts payable and accrued liabilities	$ 4,506	$ 3,339
Current portion of long-term debt	7,357	8,774
Due from related parties	–	625
Long-term debt	99,495	106,950
Co-tenant's capital	319,088	311,579
	$ 430,446	$ 431,267

Excess of revenue over expenses:

	2019	2018
Revenue	$ 71,420	$ 71,420
Expenses	63,911	70,337
	$ 7,509	$ 1,083

4. Long-term investments (continued):

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

Cash provided by (used in):

	2019	2018
Operating activities	$ 24,698	$ 14,035
Financing activities	15,827	(8,385)

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:

	2019	2018
Contributions since commencement	$ 146,086	$ 146,086
Gain in earnings since commencement	93,579	86,070
Reallocation of co-tenants' capital up to one-half share	101,960	101,960
Payment of market value in excess of book value for one-third share up to one-half share	98,040	98,040
Major repairs funded by the replacement reserve	(22,537)	(22,537)
	$ 417,128	$ 409,619

The two participants in the joint venture are jointly and severally liable for a loan. As at December 31, 2019, the principal balance of the loan in aggregate is $213,704 (2018 - $231,448).

(b) Financial investments:

	2019	2018
Cash	$ 8,668	$ 14,353
Fixed income	267,417	292,102
Equities	938,252	649,557
Mutual funds/segregated funds	50,713	168,020
	1,265,050	1,124,032
Endowment:		
Cash	34,291	103,628
Fixed income	576,663	558,835
Equities	2,035,509	1,466,921
Mutual funds/segregated funds	140,632	115,732
	2,787,095	2,245,116
	$ 4,052,145	$ 3,369,148

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 the Investment Policy of the United Way of KFL&A.

5. Capital assets:

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Furniture and equipment	$ 83,116	$ 81,015	$ 2,101	$ 6,980
Telephone system	43,537	42,481	1,056	1,509
Computer equipment	169,450	165,421	4,029	12,086
Computer software	95,782	86,506	9,276	14,398
Leasehold improvements	8,999	8,999	–	–
	$ 400,884	$ 384,422	$ 16,462	$ 34,973

Cost and accumulated amortization of capital assets at December 31, 2018 amounted to $400,884 and $365,911, respectively.

6. Accounts payable and accrued liabilities:

	2019	2018
Accounts payable and accrued liabilities	$ 98,237	$ 145,037
Grants payable	626,386	372,927
	$ 724,623	$ 517,964

Included in accounts payable and accrued liabilities are government remittances payable of $2,325 (2018 - $12,292), 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.

	2019	2018
Opening balance	$ 23,967	$ 15,390
Receipts	380,000	189,378
Disbursements	(197,777)	(180,801)
Ending balance	$ 206,190	$ 23,967

8. Invested in capital assets:

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

	2019	2018
Capital assets	$ 16,462	$ 34,973

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

	2019	2018
Excess of expenses over revenue:		
Amortization of capital assets	$ (18,511)	$ (16,747)
Net change in investment in capital assets:		
Purchase of capital assets	$ –	$ 8,261

9. Reserves:

Reserves consist of:

		2019		2018
Contingency Reserve	$	316,000	$	160,000
Youth Homelessness & Agency Reserve		1,900,000		227,590
	$	2,216,000	$	387,590

(a) Contingency Reserve:

In accordance with policy, the balance in the reserve is to be maintained within a range of 10% to 20% of the operating budget. 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) Youth Homelessness & Agency Reserve:

Using proceeds from the Kingston Penitentiary Tours and operational surpluses (deficits), the Board of Directors passed a motion to set aside these funds to be spent in the area of youth homelessness and United Way partner agencies in the event of a fundraising shortfall. This reserve is internally restricted and is intended for the programs that support community investment strategy outlined by the United Way KFL&A Board of Directors.

10. 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 $4,807 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:

2020	$	89,346
2021		63,882
2022		60,552
2023		59,907
2024		58,795
	$	332,482

11. 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 10.

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.

12. 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 $34,588 (2018 - $32,317) under this group registered retirement savings plan arrangement.

13. Financial risks:

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. The fixed income securities yield interest between 1.82% and 3.10% and have maturities ranging from March 2020 to June 2025.

13. Financial risks (continued):

(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 accounts receivable, short-term investments and certain of its long-term investments. United Way of KFL&A assesses, on a continuous basis, accounts receivable, short-term investments and certain of its long-term investments. United Way of KFL&A has determined that there is no impairment to the accounts receivable or the joint venture investment as at December 31, 2019.

14. Re-allocation of administration expenses:

General management and administrative expenses are re-allocated between fundraising expenses, distributions and community programs and service 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.

	2019	2018
Fundraising	44%	49%
Distributions & community programs & services	29%	27%
Community impact initiatives	27%	24%
	100%	100%

15. Transparency, accountability and financial reporting:

The United Way of KFL&A follows the reporting guidelines as outlined in its membership agreement with United Way of Canada – Centraide Canada. As part of these guidelines, each member calculates fundraising and allocation ratios. These ratios are summarized as follows:

	2019	2018
Fundraising ratio:		
Total revenue	$ 4,978,784	$ 4,890,381

		2019			2018	
Total fundraising including cost recovery and special events (schedule 1)		699,533	14.0%		636,583	13.2%
General management and administrative expense		142,490	2.9%		119,498	2.5%
Total fundraising and related administrative expense	$	842,023	16.9%	$	756,081	15.7%

16. 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.

16. 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.

17. Change in accounting policy:

Effective December 31, 2019, United Way of KFL&A changed its accounting policy for revenue recognition of campaign pledges and one-time donations to record amounts received. In previous periods, pledged donations were recognized when received or receivable and a provision for uncollectible amounts was recorded to reduce pledges receivable and revenue. In previous periods campaign revenue of the fiscal year was deferred to the following year when the funds were spent. Similarly, in the previous periods, designations payable were accrued if not paid to align with the year of the campaign. The United Way of KFL&A has changed its policy such that designations payable are only accrued when they become payable as the new method of recognition presents information in a manner that is more easily understood by users of the financial statements and aligns with timing of receipt of information from third parties. The change in accounting policy has been applied retrospectively.

Statement of financial position as at December 31, 2018:

	As previously presented	Restatement	As restated
Pledge receivable	$ 255,185	(255,185)	$ –
Current assets	2,382,123	(255,185)	2,126,938
Total assets	6,195,863	(255,185)	5,940,678
Accounts payable and accrued liabilities	739,763	(221,799)	517,964
Deferred campaign revenue	2,174,305	(1,934,305)	240,000
Total current liabilities	3,042,190	(2,156,104)	886,086
Unrestricted net assets	193,822	1,900,919	2,094,741
Total liabilities and net assets	6,195,863	(255,185)	5,940,678

17. Change in accounting policy (continued):

Statement of operations for the year ended December 31, 2018:

	As previously presented	Restatement	As restated
Campaign revenue	$ 3,332,602	32,061	$ 3,364,663
Community special events revenue	132,290	54,942	187,232
Gross campaign revenue	3,490,224	87,003	3,577,227
Pledge loss	(106,448)	106,448	–
Total revenue	4,696,930	193,451	4,890,381
Door choice designations	457,960	(171,908)	286,052
Total expenses	4,720,466	(171,908)	4,548,558
Excess (deficiency) of revenue over expenses	(118,074)	365,359	247,285

Statement of changes in net assets for the year ended December 31, 2018:

	As previously presented	Restatement	As restated
Net assets, beginning of year	$ 3,102,331	$ 1,535,560	$ 4,637,891
Excess (deficiency) of revenue over expenses	(118,074)	365,359	247,285
Net assets, end of year	3,153,673	1,900,919	5,054,592

Statement of cash flows for the year ended December 31, 2018:

	As previously presented	Restatement	As restated
Excess (deficiency) of revenue over expenses	$ (118,074)	$ 365,359	$ 247,285
Change in non-cash working capital	221,012	(365,359)	(144,347)

18. Subsequent event and contingencies:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the United Way of KFL&A has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- Experienced temporary declines in the fair value of investments and investment income
- Closure of the administrative building within which it operates since March 18, 2020 based on public health recommendations
- Mandatory working from home requirements for those able to do so
- Continuous re-evaluation of the team’s work assignments
- Creation of United Way of KFL&A COVID-19 Response Fund, flowing funds to agencies’ needs as they respond to the most vulnerable

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

UNITED WAY OF KFL&A

Schedule 1 - Administration, Fundraising and United Way Community Investments Programs Expenses
Distributions and community programs and services

Year ended December 31, 2019, with comparative information for 2018

	Administration	Fundraising	Distributions and community programs and services	2019 Total	2018 Total
Direct costs:					
Salaries and benefits	$ 219,821	$ 395,545	$ 257,906	$ 873,272	$ 807,171
Other direct costs	74,123	86,573	37,567	198,263	187,178
Digital data analysis and marketing (one-time)	–	–	–	–	39,869
	293,944	482,118	295,473	1,071,535	1,034,218
Amortization of capital assets	18,511	–	–	18,511	16,747
Occupancy costs	11,387	20,489	13,359	45,235	46,140
Total expenses before reallocation of administrative expenses and cost recovery	323,842	502,607	308,832	1,135,281	1,097,105
Reallocation of administrative expenses (note 14)	(323,842)	142,490	93,914	(87,438)	(58,529)
Cost recovery	–	(16,653)	–	(16,653)	(14,323)
Total expenses	$ –	$ 628,444	$ 402,746	$ 1,031,190	$ 1,024,253