Financial Statements of

UNITED WAY OF KFL&A

And Independent Auditor’s Report Thereon

Year ended December 31, 2022

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INDEPENDENT AUDITOR'S 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, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the 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 auditor's report, the accompanying financial statements present fairly, in all material respects, the financial position of United Way of KFL&A as at December 31, 2022, 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, 2022 and December 31, 2021
- the donations revenue and excess (deficiency) of revenue over expenses reported in the statements of operations for the years ended December 31, 2022 and December 31, 2021
- 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, 2022 and December 31, 2021
- the excess (deficiency) of revenue over expenses reported in the statements of cash flows for the years ended December 31, 2022 and December 31, 2021

Our opinion on the financial statements for the year ended and December 31, 2021 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 ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's 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.

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.

Auditor's 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 auditor's report that includes our qualified 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 qualified 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 auditor's 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 auditor's 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

April 4, 2023

UNITED WAY OF KFL&A

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	$ 2,015,559	$ 2,126,928
Short-term investments (note 2)	645,000	–
Accounts receivable	24,566	24,108
Prepaid expenses	18,112	14,550
	2,703,237	2,165,586
Long-term investments (note 3)	3,879,012	5,623,811
Capital assets (note 4)	50,511	59,825
	$ 6,632,760	$ 7,849,222
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	$ 321,111	$ 130,680
Monies held in trust (note 6)	121,267	150,474
Deferred contributions non-fundraising	697,088	230,039
	1,139,466	511,193
Net assets:		
Invested in 417 Bagot Group (note 3(a))	522,722	436,204
Invested in capital assets (note 7)	50,511	59,825
Reserves (note 8)	2,086,385	2,496,524
Endowments (note 15)	2,833,676	2,960,135
Unrestricted	–	1,385,341
	5,493,294	7,338,029
Commitments (note 9)		
	$ 6,632,760	$ 7,849,222

See accompanying notes to financial statements.

On behalf of the Board of Directors:

Mary L. Moe Director

Director

UNITED WAY OF KFL&A

Statement of Operations

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Fundraising revenue	$ 3,953,280	$ 4,169,994
Community special events	58,001	48,024
Funds transferred from other United Ways	19,087	20,616
Donations to internally endow	–	123,972
Funds transferred to other United Ways	(21,822)	(20,949)
Gross fundraising revenue	4,008,546	4,341,657
Reaching Home grant – incremental funding (note 16)	1,240,669	1,071,716
Reaching Home grant – base funding (note 16)	507,473	689,933
Investment income	109,564	86,118
Canada Recovery Hiring Program (CHRP)	35,184	–
Donations and other revenue, including grants	24,068	46,413
Canada Emergency Wage Subsidy	–	89,193
	5,925,504	6,325,030
Expenses:		
Allocations and programs:		
Program grants	3,067,244	2,426,939
Reaching Home grant – incremental funding (note 16)	1,240,669	1,071,716
Reaching Home grant – base funding (note 16)	507,473	689,933
United Way Community Impact Initiatives	689,428	372,539
Distributions and Community Programs and Services (schedule 1)	473,080	322,727
Donor choice designations	416,021	471,923
United Way dues and shared costs	47,392	41,986
United Way of KFL&A COVID-19 Relief fund	43,445	91,717
KFL&A Community EDI	38,732	–
	6,523,484	5,489,480
Operations:		
Fundraising (note 14 and schedule 1)	677,219	570,531
Investment management fee	15,017	16,787
Community special events (note 14)	40,362	15,018
	7,256,082	6,091,816
Excess (deficiency) of revenue over expenses before the undernoted	(1,330,578)	233,214
Income from joint venture	3,188	9,116
Change in fair value of investments	(519,376)	539,087
Excess (deficiency) of revenue over expenses	$ (1,846,766)	$ 781,417

See accompanying notes to financial statements.

UNITED WAY OF KFL&A

Statement of Changes in Net Assets

Year ended December 31, 2022, with comparative information for 2021

	Invested in 417 Bagot Group	Invested in capital assets	Reserves	Restricted for endowments	Unrestricted	2022 Total	2021 Total
	(note 3(a))	(note 7)	(note 8)	(note 15)			
Balance, beginning of year	$ 436,204	$ 59,825	$ 2,496,524	$ 2,960,135	$ 1,385,341	$ 7,338,029	$ 6,556,112
Excess (deficiency) of revenue over expenses	3,188	(23,638)	–	–	(1,826,316)	(1,846,766)	781,417
Endowment contributions	–	–	–	2,031	–	2,031	500
Interfund transfer (note 15)	–	–	(410,139)	(128,490)	538,629	–	–
Net change in investment in capital assets	–	14,324	–	–	(14,324)	–	–
Additional investment in 417 Bagot Group	83,330	–	–	–	(83,330)	–	–
Balance, end of year	$ 522,722	$ 50,511	$ 2,086,385	$ 2,833,676	$ –	$ 5,493,294	$ 7,338,029

See accompanying notes to financial statements.

UNITED WAY OF KFL&A

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used for):		
Operating expenses:		
Excess (deficiency) of revenue over expenses	$ (1,846,766)	$ 781,417
Item which does not involve cash:		
Amortization of capital assets	23,638	21,463
Change in fair value of investments	519,376	(539,087)
Income from joint venture	(3,188)	(9,116)
Change in non-cash working capital:		
Accounts receivable	(458)	183,384
Prepaid expenses	(3,562)	1,396
Accounts payable and accrued liabilities	190,431	(505,640)
Monies held in trust	(29,207)	(54,403)
Deferred contributions non-fundraising	467,049	(919,849)
Deferred event revenue	–	(16,794)
	(682,687)	(1,057,229)
Financing activities:		
Endowment contributions	2,031	500
Investing activities:		
Disposal of long-term investments	666,941	67,646
Additional investment in 417 Bagot Group	(83,330)	–
Purchase of capital assets	(14,324)	(16,431)
	569,287	51,215
Decrease in cash	(111,369)	(1,005,514)
Cash, beginning of year	2,126,928	3,132,442
Cash, end of year	$ 2,015,559	$ 2,126,928

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 fundraising campaigns for funds each year.

Unrestricted fundraising 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. Non-endowed bequest contributions are recognized as revenue in the year in which they are received and the United Way of KFL&A Board of Directors will internally restrict these contributions for the endowment fund.

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 methods and 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 fundraising 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 restricted with the principal being preserved in perpetuity. The income earned from the Eternity Fund is used to support essential programs ensuring donations to the Eternity Fund will benefit future generations.

(iii) Unrestricted Reserve:

The unrestricted 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.

(iv) Internally restricted reserves:

These reserves are restricted by a motion from the United Way of KFL&A Board of Directors for the purpose of directing the future use of funds. The reserves of the United Way KFL&A that are internally restricted are the Contingency Reserve, the Reserve for Agency Funding, and the Youth Homelessness Reserve, as described in note 8.

(f) Employee future benefits:

United Way of KFL&A has a defined contribution plan providing pension 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.

1. Significant accounting policies (continued):

(g) 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:

	2022	2021
Fixed income	$ 645,000	$ –

Short-term investments are comprised of guaranteed investment certificates with interest rates ranging from 3.02% to 5.38% and maturing between March 2023 and November 2023.

Short-term investments are invested in a manner to allow United Way of KFL&A to access funds for operational needs on short-term notice with minimal investment risk.

3. 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 (the "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, 2022. The following information represents United Way of KFL&A's 50% proportionate share of the assets, liabilities, revenue, expenses, excess of revenue over expenses and cash flows in this joint venture:

	2022	2021
Assets		
Cash	$ 95,521	$ 80,967
Accounts receivable	1,627	3,888
Prepaid expenses	–	125
Capital assets	329,068	341,753
	$ 426,216	$ 426,733

	2022	2021
Liabilities and Co-tenants' Capital		
Accounts payable and accrued liabilities	$ 1,250	$ 631
Current portion of long-term debt	–	87,938
Co-tenant's capital	424,966	338,164
	$ 426,216	$ 426,733

Excess of revenue over expenses:

	2022	2021
Revenue	$ 70,397	$ 71,540
Expenses	67,209	62,424
	$ 3,188	$ 9,116

3. Long-term investments (continued):

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

Cash provided by (used in):

	2022	2021
Operating activities	$ 22,720	$ 15,965
Financing activities	(4,323)	(9,795)
Investing activities	(3,843)	(4,281)

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:

	2022	2021
Contributions since commencement	$ 229,416	$ 146,086
Gain in earnings since commencement	115,843	112,655
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)
	$ 522,722	$ 436,204

The two participants in the joint venture are jointly and severally liable for a loan. As at December 31, 2022, the principal balance of the loan in aggregate is $Nil (2021 - $175,875).

During the year, United Way KFL&A transferred their proportionate share of the final loan payment of $83,330 to the Group. This was recorded as a direct increase to the long-term investment in the Group on the Statement of Financial Position.

3. Long-term investments (continued):

(b) Financial investments:

		2022		2021
Cash	$	–	$	8,893
Fixed income		–		130,000
Equities		–		1,377,572
		–		1,516,465
Endowment:				
Cash		16,723		13,094
Fixed income		285,000		265,000
Equities		3,054,567		3,393,048
		3,356,290		3,671,142
	$	3,356,290	$	5,187,607

All Exchange Traded Funds ("ETFs") are classified as equities in the financial investments summary above regardless of their underlying index. As per the United Way of KFL&A's Investment Policy Statement ("IPS"), these include some ETFs that are cash and fixed income investments with little to no related market risk. The purpose of these ETFs is to provide reliable, extremely liquid cash flow for operations. Every quarter all investments are confirmed to be compliant with the IPS by CIBC Wood Gundy and this is verified by the Investment Committee of the United Way of KFL&A.

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.

The Endowment Fund follows the investment strategy as per the IPS of the United Way of KFL&A.

4. Capital assets:

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Furniture and equipment	$ 79,152	$ 74,047	$ 5,105	$ 2,126
Telephone system	43,537	43,175	362	518
Computer equipment	241,767	211,724	30,043	48,172
Computer software	113,603	98,602	15,001	9,009
Leasehold improvements	8,999	8,999	–	–
	$ 487,058	$ 436,547	$ 50,511	$ 59,825

Cost and accumulated amortization of capital assets at December 31, 2021 amounted to $472,734 and $412,909, respectively.

5. Accounts payable and accrued liabilities:

	2022	2021
Accounts payable and accrued liabilities	$ 100,433	$ 130,680
Grants payable	220,678	–
	$ 321,111	$ 130,680

Included in accounts payable and accrued liabilities are government remittances payable of $7,149 (2021 - $6,805), which includes amounts payable for harmonized sales tax and payroll-related taxes.

6. 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 Community Investment Fund. The services include:

(a) administration of the Community Investment Fund application process;

(b) determination and approval of grants from the Community Investment Fund;

(c) contracting with successful applicants as an agent of the City; and

(d) issuing approved grants and tracking fulfillment of conditions of each grant.

		2022		2021
Opening balance	$	150,474	$	204,877
Receipts		220,000		320,000
Disbursements		(249,207)		(374,403)
Ending balance	$	121,267	$	150,474

7. Invested in capital assets:

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

		2022		2021
Capital assets	$	50,511	$	59,825

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

		2022		2021
Excess of expenses over revenue:				
Amortization of capital assets	$	(23,638)	$	(21,463)
Net change in investment in capital assets:				
Purchase of capital assets	$	14,324	$	16,431

8. Internally restricted reserves:

Reserves consist of:

	2022	2021
Contingency Reserve	$ 316,000	$ 316,000
Youth Homelessness	–	180,524
Reserve for Agency Funding	1,770,385	2,000,000
	$ 2,086,385	$ 2,496,524

(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:

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. On February 1, 2022, the Board of Directors approved the use of the remaining balance of $180,524 from this fund to support a community capital project in 2022.

(c) Reserve for Agency Funding:

Using operational surpluses (deficits), the Board of Directors passed a motion to set aside these funds to be spent in the area of United Way partner agencies in the event of a fundraising shortfall. This reserve is intended for the programs that support community investment strategy outlined by the United Way KFL&A Board of Directors. During the year, the Board of Directors approved the transfer of $229,615 (2021 - $Nil) from this reserve to support operations.

9. 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 $4,407 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:

2023	$ 58,849
2024	56,741
2025	55,629
2026	55,629
2027	53,570
	$ 280,418

10. 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 3 to these financial statements. United Way of KFL&A rents premises from the joint venture as disclosed in note 9.

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.

11. 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 $40,696 (2021 - $37,272) on the Statement of Operations under this group registered retirement savings plan arrangement.

12. 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 3.02% and 5.38% (2021 - 2.9% and 3.1%) and have maturities ranging from March 2023 to November 2023 (2021 - March 2022 to March 2023).

(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 for impairment. 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, 2022.

13. 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 United Way of KFL&A'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.

	2022	2021
Fundraising	41%	42%
Distributions & community programs & services	29%	23%
Community impact initiatives	30%	35%
	100%	100%

14. 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:

	2022	2021
Fundraising ratio:		
Total revenue	$ 5,925,504	$ 6,325,030

	2022		2021	
Fundraising expense (schedule 1)	$ 677,219		$ 570,531	
Community special events expense	40,362		15,018	
General management and administrative expense (schedule 1)	(117,744)		(93,932)	
Total fundraising expense including cost recovery and special events	599,837	10.1%	491,617	7.8%
General management and administrative expense (schedule 1)	117,744	2.0%	93,932	1.5%
Total fundraising and related administrative expense	$ 717,581	12.1%	$ 585,549	9.3%

15. 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 and unrestricted donations received by the United Way of KFL&A that have been internally endowed by the Board of Directors. 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 United Way of KFL&A is required to meet certain requirements to utilize its externally and internally restricted net assets, as described in Note 8. 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.

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.

During the year, the Board of Directors approved the withdrawal of $128,490 (2021 - $100,832) from the endowment fund to support operations, which represents 3.5% (2021 - 3.0%) of the endowment fund balance.

16. Administrative expenses – grant funding:

		2022			2021	
Reaching Home grant – base funding	$	441,979	87%	$	599,942	86%
Program support		65,494	13%		89,991	14%
Total Reaching Home grant – base funding and program support	$	507,473	100%	$	689,933	100%

		2022			2021	
Reaching Home grant – incremental funding	$	1,080,320	87%	$	909,474	85%
Program support		160,349	13%		162,242	15%
Total Reaching Home grant – incremental funding and program support	$	1,240,669	100%	$	1,071,716	100%

17. Comparative information:

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

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, 2022, with comparative information for 2021

	Administration	Fundraising	Distributions and community programs and services	2022 Total	2021 Total
Direct costs:					
Salaries and benefits	$ 188,028	$ 459,682	$ 330,802	$ 978,512	$ 745,347
Other direct costs	71,102	95,888	43,413	210,403	179,964
	259,130	555,570	374,215	1,188,915	925,311
Amortization of capital assets	23,638	–	–	23,638	21,463
Occupancy costs	8,029	19,630	14,127	41,786	41,474
Total expenses before reallocation of administrative expenses and cost recovery	290,797	575,200	388,342	1,254,339	988,248
Reallocation of administrative expenses (note 13)	(290,797)	117,744	84,738	(88,315)	(77,601)
Cost recovery	–	(15,725)	–	(15,725)	(17,389)
Total expenses	$ –	$ 677,219	$ 473,080	$ 1,150,299	$ 893,258