

Financial statements of

United Way of Calgary and Area

December 31, 2013

United Way of Calgary and Area

December 31, 2013

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Independent Auditor's Report

To the Members of
United Way of Calgary and Area

We have audited the accompanying financial statements of United Way of Calgary and Area, which comprise the statement of financial position as at December 31, 2013, the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of United Way of Calgary and Area as at December 31, 2013, and its results of operations, changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Accountants
March 26, 2014

United Way of Calgary and Area

Statement of operations

year ended December 31, 2013

			2013	2012
	General Fund	Tomorrow Fund	Total	Total
	\$	\$	\$	\$
Revenue				
Annual unrestricted campaign	47,956,329	-	47,956,329	45,893,521
Funds transferred from other United Ways	2,227,102	-	2,227,102	3,149,140
Funds transferred to other United Ways	(2,610,890)	-	(2,610,890)	(1,678,154)
Gross unrestricted campaign revenue	47,572,541	-	47,572,541	47,364,507
Allowance for uncollected pledges	(1,055,411)	-	(1,055,411)	(720,579)
Net unrestricted campaign revenue	46,517,130	-	46,517,130	46,643,928
Donor restricted funds	12,752,856	-	12,752,856	10,116,158
Tomorrow Fund distribution income	290,000	(290,000)	-	-
Investment income	489,625	611,141	1,100,766	1,089,687
Other revenue	182,459	-	182,459	212,977
	60,232,070	321,141	60,553,211	58,062,750
Fundraising expenses (Schedule 2)	6,506,032	-	6,506,032	6,940,910
Net revenue available for				
United Way Community Service	53,726,038	321,141	54,047,179	51,121,840
United Way Community Service expenses (Schedule 3)	54,646,115	110,656	54,756,771	51,998,898
(Deficiency) excess of revenue over expenses before other item	(920,077)	210,485	(709,592)	(877,058)
Unrealized gains on investments	-	4,564,900	4,564,900	2,105,285
Excess (deficiency) of revenue over expenses	(920,077)	4,775,385	3,855,308	1,228,227

The accompanying notes to the financial statements are an integral part of this financial statement.

United Way of Calgary and Area

Statement of changes in fund balances year ended December 31, 2013

					2013	2012
	Restricted for community use	Available for general use	General Fund Total	Tomorrow Fund Total	Total	Total
	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year	40,396,171	8,400,000	48,796,171	26,100,468	74,896,639	73,477,698
(Deficiency) excess of revenue over expenses	-	(920,077)	(920,077)	4,775,385	3,855,308	1,228,227
Endowment contributions received	-	-	-	483,512	483,512	190,714
Restricted in the year - flood relief (Note 8(b))	579,324	(579,324)	-	-	-	-
Restricted in the year - general	35,720,418	(35,120,418)	600,000	(600,000)	-	-
Allocations used - general	(36,193,651)	36,193,651	-	-	-	-
Allocations used - flood relief (Note 8(b))	(523,753)	523,753	-	-	-	-
Transfer to Tomorrow Fund	-	(97,585)	(97,585)	97,585	-	-
Fund balances, end of year	39,978,509	8,400,000	48,378,509	30,856,950	79,235,459	74,896,639

The accompanying notes to the financial statements are an integral part of this financial statement.

United Way of Calgary and Area

Statement of financial position as at December 31, 2013

			2013	2012
	General Fund	Tomorrow Fund	Total	Total
	\$	\$	\$	\$
Assets				
Current assets				
Cash and cash equivalents	24,370,006	-	24,370,006	29,976,923
Short-term investments (Note 3)	8,607,015	-	8,607,015	4,425,468
Interfund receivable	176,936	(176,936)	-	-
Campaign pledges receivable	20,053,003	-	20,053,003	21,231,443
Accounts receivable and other assets	261,043	-	261,043	609,772
Government remittances recoverable	68,801	-	68,801	79,783
Trust assets (Note 6)	738,804	-	738,804	672,383
	54,275,608	(176,936)	54,098,672	56,995,772
Investments (Note 4)	8,005,841	31,033,886	39,039,727	30,050,657
Tangible capital assets (Note 5)	1,114,013	-	1,114,013	1,199,104
	63,395,462	30,856,950	94,252,412	88,245,533
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	723,475	-	723,475	991,874
Trust obligations (Note 6)	738,804	-	738,804	672,383
Current portion of deferred contributions (Note 7)	11,913,276	-	11,913,276	10,590,901
	13,375,555	-	13,375,555	12,255,158
Deferred contributions (Note 7)	1,641,398	-	1,641,398	1,093,736
	15,016,953	-	15,016,953	13,348,894
Commitments (Note 9)				
Fund balances				
Available for general use (Note 8(b))	8,400,000	-	8,400,000	8,400,000
Internally restricted (Notes 8(a) and 8(b))	39,978,509	11,041,761	51,020,270	49,930,946
Externally restricted (Note 8(a))	-	19,815,189	19,815,189	16,565,693
	48,378,509	30,856,950	79,235,459	74,896,639
	63,395,462	30,856,950	94,252,412	88,245,533

Approved by the Board

 Director

 Director

The accompanying notes to the financial statements are an integral part of this financial statement.

United Way of Calgary and Area

Statement of cash flows

year ended December 31, 2013

	2013	2012
	\$	\$
Operating activities		
Excess of revenue over expenses	3,855,308	1,228,227
Items not affecting cash and cash equivalents		
Amortization of tangible capital assets	737,922	942,994
Unrealized gains on investments	(4,564,900)	(2,105,285)
Net changes in non-cash operating working capital (Note 10)	3,139,789	(1,296,173)
	3,168,119	(1,230,237)
Financing activity		
Contributions received for endowment purposes	483,512	190,714
Investing activities		
Tomorrow Fund income reinvested	(623,008)	(486,343)
(Investment in) redemption of Guaranteed Investment Certificates	(3,801,162)	5,883,048
(Investment in) redemption of short-term investments	(4,181,547)	18,230,282
Acquisition of tangible capital assets	(652,831)	(912,798)
	(9,258,548)	22,714,189
Net (decrease) increase in cash and cash equivalents	(5,606,917)	21,674,666
Cash and cash equivalents, beginning of year	29,976,923	8,302,257
Cash and cash equivalents, end of year	24,370,006	29,976,923
Represented by		
Cash on hand and held with financial institutions	2,268,457	129,253
Deposits held with banks	22,101,549	29,847,670
	24,370,006	29,976,923

The accompanying notes to the financial statements are an integral part of this financial statement.

United Way of Calgary and Area

Notes to the financial statements

December 31, 2013

1. Nature of operations

United Way of Calgary and Area (the "Organization") is a registered charitable public foundation. The Organization is incorporated under the Societies Act of Alberta.

As a registered charitable foundation under Section 149(1) of the Income Tax Act, the Organization is exempt from income taxes; therefore, no provision for income taxes is recorded in the financial statements.

2. Significant accounting policies

a) Fund accounting

General Fund

The General Fund reports revenues and expenses related to program delivery, fundraising and operational support activities of the Organization.

Within the General Fund, the Organization undertakes certain special projects for which dedicated grants or internally restricted funds are received to cover a portion of the related project expenditures.

The Organization also receives and distributes funds restricted by donors (donor choice) for payment to specified charities.

Tomorrow Fund

The Tomorrow Fund is an endowment fund that has been established to accumulate assets that generate investment income. This income is used to fund programs and services in the community through grants to qualified organizations and to reduce the Organization's costs. Contributions to the Tomorrow Fund are recognized as direct increases in fund balances.

b) Revenue recognition

The Organization's financial statements are prepared using the deferral method of accounting for contributions.

Unrestricted campaign revenue

An annual campaign is conducted to raise support for projects and services provided in the following year by funded agencies, organizations addressing new and emerging needs and other registered Canadian charities. Unrestricted campaign revenue comprises unrestricted contributions received in cash or pledges receivable during the annual campaign. These are recognized as revenue in the period in which the campaign is held. Reductions in the carrying amount of pledges receivable are recognized as a reduction of unrestricted campaign revenue.

Contributions of shares in publicly traded companies are recorded at the closing market price of the shares on the day they are effectively received by the Organization, or, in the case of thinly traded and other shares whose liquidation is restricted in any form, at a value discounted from the closing price where this is considered appropriate. The resultant value of the shares is included in unrestricted campaign revenue.

Stock options donated to the Organization are recorded at \$Nil unless information is available to support a reasonable fair market valuation. If there is a resultant value, this amount is included in unrestricted campaign revenue.

With effect from October 1, 2013, testamentary gifts that are not endowment contributions or otherwise restricted by the donor or estate are considered unrestricted gifts and remain in the General Fund.

Donor restricted funds

All contributions that are restricted by donors are initially deferred, then recognized as revenue of the General Fund in the year in which related expenses are incurred.

United Way of Calgary and Area

Notes to the financial statements

December 31, 2013

2. Significant accounting policies (continued)

b) Revenue recognition (continued)

Restricted contributions for tangible capital assets

Contributions that are restricted by donors for the acquisition of tangible capital assets are deferred and then amortized over the same period as the corresponding asset.

Tomorrow Fund

The Tomorrow Fund includes endowment contributions and amounts restricted by the Board of Directors (the "Board"). Endowment contributions to the Tomorrow Fund are recorded as direct increases to fund balances. Interest and dividend income generated from investments of the Tomorrow Fund are treated as revenue of the Tomorrow Fund when earned.

c) Pledges receivable

Pledges are recorded as revenue and receivable when signed pledge documents are received or other documents are available to provide reasonable evidence of a valid pledge. Allowances are provided for amounts estimated to be uncollectible.

d) Investment income and costs

Interest and dividend income and gains and losses on short-term investments are recognized in investment income in the period in which they are realized.

Interest and dividend income earned on long-term investments are recognized in investment income in the period in which they are earned. Unrealized and realized gains and losses on long-term investments are recognized through the statement of operations.

e) Donated goods and services

Goods and services contributed to the Organization to be consumed in operations are not recorded as revenue due to difficulties in determining fair value.

f) Tangible capital assets

Purchased tangible capital assets with a value exceeding \$1,000 are recorded at cost. Purchased tangible capital assets with a value of less than \$1,000 are charged to the General Fund as incurred. Contributed tangible capital assets are recorded at fair value at the date of the contribution if their value exceeds \$1,000.

Tangible capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be fully recoverable. An impairment loss is recognized when and to the extent that management assesses the future useful life of an asset to be less than originally estimated.

Amortization of tangible capital assets is provided on a straight-line basis over the useful lives of the assets once the asset is put into use, estimated as follows:

Computer software	3 years
Computer equipment	5 years
Furniture and fixtures	5 years
Telephone equipment	5 years
Building improvements	Term of lease

As at December 31, 2013, there are approximately nine years remaining on the building lease.

United Way of Calgary and Area

Notes to the financial statements

December 31, 2013

2. Significant accounting policies (continued)

g) Allocation of expenses

The nature of the Organization's operations dictates that its costs are largely influenced by the deployment of its staff. Similarly, the costs of supporting fundraising and program expenses are directly correlated to the number of people working in each of those areas.

Operational support expenses are allocated between fundraising expenses and community service expenses based on the headcount of the Organization at the beginning of the year in which the operational support expenses are incurred.

Operational support expenses are allocated as follows:

	2013	2012
	%	%
Fundraising expenses	45.2	47.2
United Way Community Service expenses	54.8	52.8
	100.0	100.0

h) Financial instruments

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently recorded at fair value. All other financial instruments are recorded at cost or amortized cost, unless management has elected to record at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. For all other financial instruments, the transaction costs are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in excess of revenue over expenses as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Organization recognizes in excess of revenue over expenses an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in excess of revenue over expenses in the period the reversal occurs.

i) Foreign currency translation

Investments denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect on the date of the statement of financial position. Investment income from these securities is translated at the exchange rate in effect when realized.

j) Cash and cash equivalents

Cash and cash equivalents include the amounts held in bank deposits and current accounts maintained by the Organization. Any amount included as cash and cash equivalents will have a maturity of 90 days or less from inception.

United Way of Calgary and Area

Notes to the financial statements

December 31, 2013

2. Significant accounting policies (continued)

k) Use of accounting estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Specific items subject to estimation include amortization and potential impairment of tangible capital assets, potential impairment of the promissory note, the provision for uncollectable pledges, the current portion of deferred contributions, accrued liabilities and the allocation of operational support costs.

These estimates are subject to measurement uncertainty, and the effects of changes in these estimates in future periods could be significant.

3. Short-term investments

At December 31, 2013, the Organization's short-term investments included Guaranteed Investment Certificates ("GIC") and equity securities.

Equity securities were donated to the Organization and remain unsold at the respective dates of the financial statements. These assets will be liquidated as soon as is possible in line with the Organization's Policy on Acceptance and Disposal of Shares.

	Maturity	2013	2012
		\$	\$
GICs			
Investment in 36-month fixed GIC, 2.91% per annum interest rate	April 2014	4,327,037	-
Investment in 12-month fixed GIC, 1.9% per annum interest rate	August 2014	4,032,031	-
Investment in 24-month fixed GIC, 2.2% per annum interest rate	December 2013	-	4,090,691
		8,359,068	4,090,691
Equity securities		247,947	334,777
		8,607,015	4,425,468

4. Investments

	2013	2012
	\$	\$
Tomorrow Fund		
Investments in externally managed funds	28,826,136	23,638,228
Promissory note	1,982,750	1,982,750
Irrevocable Charitable Remainder Trust	225,000	225,000
	31,033,886	25,845,978
General Fund GICs	8,005,841	4,204,679
	39,039,727	30,050,657

United Way of Calgary and Area

Notes to the financial statements

December 31, 2013

4. Investments (continued)

Externally managed funds portfolio weighting

	2013	2012
	%	%
Pooled bonds and cash	36.6	37.5
Equities		
Canadian	22.1	25.6
United States	19.6	15.7
Other foreign	21.7	21.2
	100.0	100.0

Pooled bonds are entirely denominated in Canadian dollars.

The promissory note earns interest on the principal sum at a rate equal to the 10-year Government of Canada bonds set in 2007 less 0.25% per annum. Until December 31, 2013, the effective rate of interest is 1.94% less 0.25% (2012 - 1.94% less 0.25%). This rate is effective January 1, 2012 and redetermined every five years thereafter. This note is repayable upon death of the issuer and is secured by the insurance policy on the life of the donor.

The interest in an Irrevocable Charitable Remainder Trust is carried at the expected realizable value advised by the trustee and will be settled at the time of death of the donor.

At December 31, 2013, the Organization's long-term investments of the General Fund were composed of GICs as follows:

	Maturity	2013	2012
		\$	\$
Investment in 36-month fixed/flex GIC, 2.75% per annum interest rate blended over 3 years	December 2016	5,003,116	-
Investment in 16-month fixed/flex GIC, 2.55% per annum interest rate	April 2015	3,002,725	-
Investment in 36-month fixed GIC, 2.91% per annum interest rate (Note 3)	April 2014	-	4,204,679
		8,005,841	4,204,679

The Organization has a bridge financing facility to provide funds where needed. The facility bears interest at the bank's prime rate of interest per annum (currently 3%). The facility is secured by hypothecation of the GICs maturing in April 2014 (Note 3). As at December 31, 2013, \$Nil (2012 - \$Nil) was drawn on this facility.

United Way of Calgary and Area

Notes to the financial statements

December 31, 2013

5. Tangible capital assets

			2013
	Cost or donated value	Accumulated amortization	Net book value
	\$	\$	\$
Computer software	5,489,812	4,891,939	597,873
Computer equipment	1,247,026	869,763	377,263
Furniture and fixtures	383,746	372,781	10,965
Telephone equipment	369,071	355,458	13,613
Building improvements	302,156	187,857	114,299
	7,791,811	6,677,798	1,114,013

			2012
	Cost or donated value	Accumulated amortization	Net book value
	\$	\$	\$
Computer software	5,167,778	4,352,298	815,480
Computer equipment	940,204	746,957	193,247
Furniture and fixtures	377,979	368,264	9,715
Telephone equipment	365,722	308,383	57,339
Building improvements	287,297	163,974	123,323
	7,138,980	5,939,876	1,199,104

6. Trust assets and obligations

The Organization coordinates the national campaign for corporate donors, including the processing, collection and subsequent distribution of pledges to other United Way offices. This activity requires that the Organization hold certain assets on behalf of other United Way offices.

7. Deferred contributions

Deferred contributions related to tangible capital assets represent the unamortized portions of restricted contributions and contributed tangible capital assets received from private donors as well as contributions received from donors that have not yet been expended.

Deferred contributions related to special projects represent the unspent portions of externally restricted grants received from private donors used to fund special projects undertaken by the Organization.

Deferred contributions related to donor designated to charities reflect the pledged and received amounts of donations accepted by the Organization that are designated to other registered charities and are unpaid.

Deferred contributions related to future year campaigns reflect the pledged and received amounts of donations accepted by the Organization that are restricted by the donor for campaigns of future years.

The Organization carries the value of a restricted Family Fund at its cost plus accrued earnings where appropriate. Cumulative earnings on these funds will be distributed to support United Way initiatives. The Organization periodically transfers amounts from these funds to specific United Way initiatives.

United Way of Calgary and Area

Notes to the financial statements

December 31, 2013

7. Deferred contributions (continued)

Deferred contributions also include the unspent portion of corporate sponsorships received to cover operating expenses.

Changes in deferred contributions are as follows:

	2013			2012	
	Opening balance	Deferred contributions received in year	Deferred contributions used in year	Ending balance	Ending balance
	\$	\$	\$	\$	\$
Tangible capital assets	71,503	-	(17,846)	53,657	71,503
Special projects	4,127,302	7,082,380	(5,068,449)	6,141,233	4,127,302
Donor designated to charities	7,054,992	9,455,238	(9,362,561)	7,147,669	7,054,992
Future years campaign	282,040	-	(282,040)	-	282,040
Sponsorship	148,800	190,501	(127,186)	212,115	148,800
	11,684,637	16,728,119	(14,858,081)	13,554,674	11,684,637
Less: current portion				11,913,276	10,590,901
				1,641,398	1,093,736

The current portion of deferred contributions is based on management's best estimate of amounts to be recognized in the following year.

8. Fund balances

a) Tomorrow Fund

	2013			2012	
	Externally restricted	Internally restricted	Total	Total	
	\$	\$	\$	\$	
Community support	11,057,024	8,632,806	19,689,830	16,558,630	
Special endowments	2,043,067	-	2,043,067	2,116,586	
Infrastructure Fund	4,839,194	2,408,955	7,248,149	6,026,037	
Named Funds	1,310,044	-	1,310,044	918,111	
Endow your Gift	565,860	-	565,860	481,104	
	19,815,189	11,041,761	30,856,950	26,100,468	

Externally restricted funds include:

- endowments contributed;
- market gains and losses on endowment contributions; and
- attributable earnings where the donor restricts the use of the investment income earned on the contribution.

United Way of Calgary and Area

Notes to the financial statements

December 31, 2013

8. Fund balances (continued)

a) *Tomorrow Fund (continued)*

Internally restricted funds include:

- amounts restricted by the Board for a specific purpose;
- market gains and losses on the investment of internally restricted funds; and
- attributable earnings where the endowment donor has not restricted the purpose of the contribution. Under these circumstances the Board restricts the use of such earnings as described under "Community support".

Distribution of income

The Board has determined that any realized income from the prior year attaching to investments be first retained to grow these investments by at least 1% over the inflation rate applicable for the prior year. Then, if sufficient income remains, up to 3.5% of the prior year fund balance before retention will be recognized as revenue of the General Fund. Such revenue will be allocated to support community activities according to donor direction in the case of externally restricted income, or according to Board direction in the case of internally restricted income. Any realized income in excess of the 3.5% of the prior year fund balance is retained in the fund.

With effect from January 1, 2014, the Board changed the distribution policy of the Tomorrow Fund. Under the new policy, up to 4% of the market value of the fund's assets at December 31 of the prior year may be distributed to the General Fund. In addition, the Tomorrow Fund shall support the costs of administering and developing the fund.

Community support

Endowment contributions that have no restriction as to their use are held in support of the Organization's engagement in the community. Available income is applied to specific areas of community support in accordance with the direction of the Board. Such direction is set by the Board on a three-year cycle.

Special endowments

These are special investment gifts received from donors whereby the income is directed to specified purposes in consultation with the donors.

Infrastructure Fund

Endowment gifts in this category were contributed to support ongoing property lease and occupancy costs of the Organization.

Named Funds and Endow your Gift

Named Funds are endowment gifts received by various donors and named in recognition of the donor or in tribute. Income earned is distributed based on the donor's advice.

Endow your Gift was established to provide a one-time endowment gift option for annual donors reaching retirement. Subject to available income, up to 5% of the capital on these funds is directed to support the Organization's annual campaign. Any remaining income is directed to specific areas defined in consultation with the donors.

United Way of Calgary and Area

Notes to the financial statements

December 31, 2013

8. Fund balances (continued)

b) General Fund

Available for general use

The Board has determined that the Organization needs to retain a level of funds to support the Organization in periods of financial uncertainty. The Board established the following criteria to guide the retention of funds to be held available for general use:

- 6 months of operating budget
- 18 months of normal amortization
- \$1,000,000 disaster response reserve

In 2013, \$579,324 of the disaster response reserve was allocated to support flood response in Calgary. The Board determined that such expenditure should be reimbursed from the Tomorrow Fund. This has been reflected in the Tomorrow Fund as at December 31, 2013.

Internally restricted for community use

The Organization's community investment program is planned around a combination of one to three year commitments and the flexible component is to accommodate years where weak economic conditions might require their use. Any funds beyond those held available for general use are considered to be available for community use. In years where a significant operating surplus or deficit results, the funds allocated to the community support can change materially.

9. Commitments

- a) The Board approves the annual plan to apply funds allocated to the Organization's community investment program. While approved in principle, the Board reserves the right to modify any such plan should economic or certain circumstances require such revision.

Commitments under this program are included as funds restricted for community use. At December 31, 2013, these commitments were as follows:

	\$
2014	35,750,000
2015	17,820,000
2016	8,390,000

- b) The Organization leases office premises under two operating leases expiring on December 31, 2016 and July 31, 2022. Under the terms of the lease expiring in 2022, the Organization has the option to surrender a portion or all of the leased premises at any time after the end of five years. If the option to surrender is exercised, the Organization would have to pay the unamortized portion of the leasehold allowance, which as at December 31, 2013 was \$343,482 (2012 - \$367,584).

The Organization has also entered into a five-year lease agreement for office equipment expiring in January 2017.

United Way of Calgary and Area

Notes to the financial statements

December 31, 2013

9. Commitments (continued)

Lease payments required over the next five years and thereafter were as follows:

	Office premises	Office equipment	Total
	\$	\$	\$
2014	429,988	74,727	504,715
2015	429,988	74,727	504,715
2016	429,988	74,727	504,715
2017	398,391	5,120	403,511
2018	432,642	-	432,642
Thereafter	1,730,568	-	1,730,568
	<u>3,851,565</u>	<u>229,301</u>	<u>4,080,866</u>

10. Net changes in non-cash operating working capital

	2013	2012
	\$	\$
Campaign pledges receivable	1,178,440	(2,460,345)
Accounts receivable and other assets	348,729	(300,233)
Government remittances recoverable	10,982	(15,486)
Accounts payable and accrued liabilities	(268,399)	316,282
Deferred contributions	1,870,037	1,163,609
	<u>3,139,789</u>	<u>(1,296,173)</u>

11. Management of capital

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

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

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

A portion of the Organization's capital is externally restricted in that the Organization is required to meet certain requirements, as described in Note 8. The Organization has internal control processes to ensure that the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.

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

The Organization monitors its financial performance against an annual budget that is approved by the Board. Surpluses from unspent operational activities are accumulated under fund balances available for general use or those internally restricted for community use. In the event that revenues decline, the Organization will budget for reduced distributions and reduced operational expenditures. While an annual budget deficit may periodically arise, no such deficit shall be allowed to exceed the total funds available under the fund balances available for general use.

The Organization has a bridge financing facility to provide funds where needed (Note 4).

United Way of Calgary and Area

Notes to the financial statements

December 31, 2013

12. Financial risk management

The Organization's financial risks are as follows:

Market risk

The Tomorrow Fund's assets include a large portion of equity securities. These assets are invested in pooled funds managed professionally by a fund manager appointed by the Board. The fund manager is governed by an investment policy of the Board, which places certain parameters on investments. The performance of the fund manager is routinely assessed by the Investment Committee of the Board. The Investment Committee has authority to make certain changes to asset mix to ensure that the investments are as secure as possible. The value of equity securities changes in concert with the business, financial condition, management and other relevant factors affecting the underlying organization that issued the securities. In addition, general economic conditions of the markets, in which such organizations operate, change, thereby exposing the Organization to fluctuations in the value of investments. The fair market value of the managed portfolio at December 31, 2013 is \$28,826,136 (2012 - \$23,638,228) with 63.4% (2012 - 62.5%) invested in equity securities (Note 4).

The Organization carries a promissory note, valued at \$1,982,750 (2012 - \$1,982,750), that is fully insured on the life of the donor. The Organization also carries a Charitable Remainder Trust, valued at \$225,000 (2012 - \$225,000). The Organization does not include the value of either of these assets in any of its operational plans.

Short-term investments include equity securities donated to the Organization which remain unsold at the date of the financial statements. The market value of these securities at December 31, 2013 was \$247,947 (2012 - \$334,777). These assets will be liquidated as soon as is possible in line with the Organization's Policy on Acceptance and Disposal of Shares.

Liquidity risk

In the current economic environment, the Organization may be subject to liquidity risk if required to realize its long-term investments in the near term. Long-term investments in GICs are held in a staggered portfolio to mitigate liquidity risk. The Tomorrow Fund is held in perpetuity with no intention or need to liquidate the investments held therein.

Interest rate risk

The Organization is exposed to interest rate risk given that its cash equivalents, short-term and long-term investments have varying maturity dates. Accordingly, if interest rates decline, the Organization may not be able to reinvest the maturing investment at a rate similar to that of the balance maturing.

Foreign exchange risk

Because a portion of the Organization's investment portfolio is denominated in foreign currencies, the Organization is exposed to fluctuations in those currencies. At December 31, 2013, the foreign content of the managed portfolio of the Tomorrow Fund was 41.3% (2012 - 36.9%) (Note 4).

Credit risk

The Organization is exposed to credit risk to the extent that its donors may experience financial difficulty and would be unable to meet their obligations. However, the Organization has a large number of diverse donors, which minimizes the concentration of credit risk.

United Way of Calgary and Area

Schedule of operational support expenses - Schedule 1 year ended December 31, 2013

	2013	2012
	\$	\$
Salaries and employee benefits	3,559,056	3,394,292
Occupancy costs	804,521	751,234
Promotion and publicity	742,841	694,995
Office expenses	583,338	525,340
Professional fees	428,360	801,285
Professional development and training	85,821	100,822
Meetings and travel	37,624	43,404
Other administrative expenses	198,014	154,521
Amortization of tangible capital assets	737,922	942,994
Total operational support expenses before allocations	7,177,497	7,408,887
Allocation to fundraising expenses, 45.2% (2012 - 47.2%) (Schedule 2)	(3,245,037)	(3,498,004)
Allocation to United Way Community Service expenses, 54.8% (2012 - 52.8%) (Schedule 3)	(3,932,460)	(3,910,883)
Total operational support expenses	-	-

United Way of Calgary and Area

Schedule of fundraising expenses - Schedule 2 year ended December 31, 2013

	2013	2012
	\$	\$
Salaries and employee benefits	2,834,833	3,042,973
Professional fees	75,600	11,786
Office expenses	95,404	94,821
Professional development and training	2,083	3,305
Meetings and travel	22,219	25,798
Direct fundraising expenses	230,856	264,223
Total direct fundraising expenses (Schedule 4)	3,260,995	3,442,906
Allocation of operational support expenses (Schedules 1 and 4)	3,245,037	3,498,004
Total fundraising expenses	6,506,032	6,940,910

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Schedule of United Way Community Service expenses - Schedule 3 year ended December 31, 2013

	2013	2012
	\$	\$
Community investment process	1,883,433	1,711,561
Allocation of operational support expenses (Schedule 1)	3,932,460	3,910,883
Internally restricted funds applied to projects	3,378,578	3,321,239
Allocations paid to agencies	32,815,073	33,488,973
Emergency Reserves - Flood Relief	523,753	-
Tomorrow Fund distributions	110,656	116,000
Donor restricted funds applied to special projects	4,266,054	3,033,687
Donor choice	7,846,764	6,416,555
Total United Way Community Service expenses	54,756,771	51,998,898
Community Service expenses by nature of engagement		
Collaborations focused on system level change	3,760,596	3,681,670
Multi-partner collaboration on delivery of services	10,798,277	9,815,376
Programmatic investments and capacity building	32,351,134	31,969,297
Donor choice	7,846,764	6,532,555
	54,756,771	51,998,898

United Way of Calgary and Area

Schedule of Transparency Accountability and Financial Reporting (TAFR) ratios - Schedule 4 year ended December 31, 2013

	2013		2012	
	\$	%	\$	%
Fundraising ratio				
Total revenue per statement of operations	60,553,211	-	58,062,750	-
Add: allowances for uncollected pledges	1,055,411	-	720,579	-
Total revenue for fundraising	61,608,622	-	58,783,329	-
Total direct fundraising expenses				
(Schedule 2)	3,260,995	5.3	3,442,906	5.9
Operational support expenses				
associated with fundraising (Schedule 2)	3,245,037	5.3	3,498,004	6.0
	6,506,032	10.6	6,940,910	11.9
Allocation ratio				
Total revenue per statement of operations	60,553,211	-	58,062,750	-
Deficiency of revenue over expenses				
resourced out of fund balances	(709,592)	(1.2)	(877,058)	(1.5)
Funds allocated to United Way				
Community Service	54,756,771	90.4	51,998,898	89.6

Charitable Fund-raising Act and Regulations

Solicitation material provided by the Organization to prospective donors in 2013 reflects total fundraising costs to be an estimated 11% (2012 - 11%) of total revenue.

The information required to be disclosed under the Charitable Fund-raising Regulation (Alberta 108/2000) is adequately presented in these financial statements and the respective schedules.