

Financial statements of

United Way of Calgary and Area

December 31, 2014

United Way of Calgary and Area

December 31, 2014

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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, 2014, 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, 2014 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, 2015

United Way of Calgary and Area

Statement of operations

year ended December 31, 2014

			2014	2013
	General Fund	Tomorrow Fund	Total	Total
	\$	\$	\$	\$
Revenue				
Annual unrestricted campaign	47,321,970	-	47,321,970	47,956,329
Funds transferred from other United Ways	3,440,136	-	3,440,136	2,227,102
Funds transferred to other United Ways	(2,838,379)	-	(2,838,379)	(2,610,890)
Gross unrestricted campaign revenue	47,923,727	-	47,923,727	47,572,541
Allowance for uncollected pledges	(1,075,460)	-	(1,075,460)	(1,055,411)
Net unrestricted campaign revenue	46,848,267	-	46,848,267	46,517,130
Donor restricted funds	12,805,584	-	12,805,584	12,752,856
Tomorrow Fund distribution income (Note 8(a))	1,140,000	(1,140,000)	-	-
Investment income	487,548	970,748	1,458,296	1,100,766
Other revenue	80,871	-	80,871	182,459
	61,362,270	(169,252)	61,193,018	60,553,211
Fundraising expenses (Schedule 2)	6,519,944	-	6,519,944	6,506,032
Net revenue available for United Way				
Community Service	54,842,326	(169,252)	54,673,074	54,047,179
United Way Community Service expenses (Schedule 3)	55,327,677	123,699	55,451,376	54,756,771
Deficiency of revenue over expenses before other item	(485,351)	(292,951)	(778,302)	(709,592)
Unrealized gains on investments	-	2,920,472	2,920,472	4,564,900
(Deficiency) excess of revenue over expenses	(485,351)	2,627,521	2,142,170	3,855,308

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, 2014

					2014	2013
	Restricted for community use	Available for general use	General Fund total	Tomorrow Fund total	Total	Total
	\$	\$	\$	\$	\$	\$
Fund balance, beginning of year	39,978,509	8,400,000	48,378,509	30,856,950	79,235,459	74,896,639
(Deficiency) excess of revenue over expenses	-	(485,351)	(485,351)	2,627,521	2,142,170	3,855,308
Endowments contributions received	-	-	-	222,620	222,620	483,512
Restricted in the year - general	36,731,643	(36,731,643)	-	-	-	-
Allocations used - general	(36,861,423)	36,861,423	-	-	-	-
Allocations used - flood relief	(55,571)	55,571	-	-	-	-
Fund balance, end of year	39,793,158	8,100,000	47,893,158	33,707,091	81,600,249	79,235,459

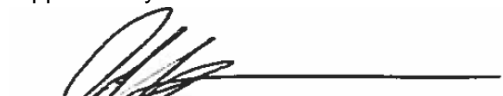
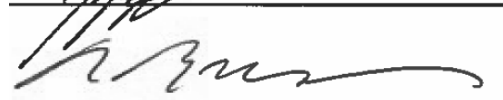
The accompanying notes to the financial statements are an integral part of this financial statement.

United Way of Calgary and Area

Statement of financial position as at December 31, 2014

			2014	2013
	General Fund	Tomorrow Fund	Total	Total
	\$	\$	\$	\$
Assets				
Current assets				
Cash and cash equivalents	12,882,036	-	12,882,036	24,370,006
Short-term investments (Note 3)	18,223,046	-	18,223,046	8,607,015
Interfund receivable	397,636	(397,636)	-	-
Campaign pledges receivable	20,697,622	-	20,697,622	20,053,003
Accounts receivable and other assets	466,065	-	466,065	261,043
Government remittances recoverable	60,070	-	60,070	68,801
Trust assets (Note 6)	990,817	-	990,817	738,804
	53,717,292	(397,636)	53,319,656	54,098,672
Investments (Note 4)	11,124,979	34,104,727	45,229,706	39,039,727
Tangible capital assets (Note 5)	997,783	-	997,783	1,114,013
	65,840,054	33,707,091	99,547,145	94,252,412
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	666,257	-	666,257	723,475
Trust obligations (Note 6)	990,817	-	990,817	738,804
Current portion of deferred contributions (Note 7)	12,400,587	-	12,400,587	11,913,276
	14,057,661	-	14,057,661	13,375,555
Deferred contributions (Note 7)	3,889,235	-	3,889,235	1,641,398
	17,946,896	-	17,946,896	15,016,953
Commitments (Note 9)				
Fund balances				
Available for general use (Note 8(b))	8,100,000	-	8,100,000	8,400,000
Internally restricted (Note 8(a) and (b))	39,793,158	12,061,183	51,854,341	51,020,270
Externally restricted (Note 8(a))	-	21,645,908	21,645,908	19,815,189
	47,893,158	33,707,091	81,600,249	79,235,459
	65,840,054	33,707,091	99,547,145	94,252,412

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, 2014

	2014	2013
	\$	\$
Operating activities		
Excess of revenue over expenses	2,142,170	3,855,308
Items not affecting cash and cash equivalents		
Amortization of tangible capital assets	832,904	737,922
Unrealized gains on investments	(2,920,472)	(4,564,900)
	54,602	28,330
Net changes in non-cash working capital (Note 10)	1,837,020	3,139,789
	1,891,622	3,168,119
Financing activity		
Contributions received for endowment purposes	222,620	483,512
Investing activities		
Tomorrow Fund income reinvested	(150,369)	(623,008)
Investment in Guaranteed Investment Certificates	(3,119,137)	(3,801,162)
Investment in short-term investments	(9,616,031)	(4,181,547)
Acquisition of tangible capital assets	(716,675)	(652,831)
	(13,602,212)	(9,258,548)
Net decrease in cash and cash equivalents	(11,487,970)	(5,606,917)
Cash and cash equivalents, beginning of year	24,370,006	29,976,923
Cash and cash equivalents, end of year	12,882,036	24,370,006
Represented by		
Cash on hand and held with financial institutions	1,361,336	2,268,457
Deposits held with banks	11,520,700	22,101,549
	12,882,036	24,370,006

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, 2014

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

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNFP"). The significant accounting policies of the Organization are as follows:

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 2013, testamentary gifts that are not endowment contributions or otherwise restricted by the donor or estate are considered to be unrestricted gifts and remain in the General Fund.

United Way of Calgary and Area

Notes to the financial statements

December 31, 2014

2. Significant accounting policies (continued)

b) Revenue recognition (continued)

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.

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, 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, 2014, there are approximately eight years remaining on the building lease.

United Way of Calgary and Area

Notes to the financial statements

December 31, 2014

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 as per Schedule 1 are allocated as follows:

	2014	2013
	%	%
Fundraising expenses	42.7	45.2
United Way Community Service expenses	57.3	54.8
	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 cash surrender value of the life insurance policy is recorded at fair value with changes in fair value recorded in unrealized gains or losses in the statement of operations.

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, 2014

2. Significant accounting policies (continued)

k) Use of accounting estimates

The preparation of financial statements in conformity with ASNFPO 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, 2014, the Organization's short-term investments included Guaranteed Investment Certificates ("GIC") and equity securities.

Equity securities available for sale 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	2014	2013
		\$	\$
GICs			
Investment in 16-month fixed/flex GIC, 2.55% per annum interest rate	April 2015	3,079,079	-
Investment in 12-month fixed GIC, 1.9% per annum interest rate	July 2015	4,107,596	-
Investment in 12-month fixed GIC, 1.95% per annum interest rate	July 2015	3,024,682	-
Investment in 12-month fixed/flex GIC, 1.725% per annum interest rate	December 2015	8,000,000	-
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
		18,211,357	8,359,068
Equity securities		11,689	247,947
		18,223,046	8,607,015

United Way of Calgary and Area

Notes to the financial statements

December 31, 2014

4. Investments

	2014	2013
	\$	\$
Tomorrow Fund		
Investments in externally managed funds	31,896,977	28,826,136
Promissory note	1,982,750	1,982,750
Irrevocable Charitable Remainder Trust	225,000	225,000
	34,104,727	31,033,886
General Fund GICs	11,124,979	8,005,841
	45,229,706	39,039,727

Externally managed funds portfolio weighting

	2014	2013
	%	%
Pooled bonds and cash	37.3	36.6
Equities		
Canadian	18.4	22.1
United States	21.5	19.6
Other foreign	22.8	21.7
	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, 2014, the effective rate of interest is 1.94% less 0.25% (2013 - 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, 2014, the Organization's long-term investments of the General Fund were composed of GICs as follows:

	Maturity	2014	2013
		\$	\$
Investment in 36-month fixed GIC, 2.35% per annum interest rate	December 2017	4,003,605	-
Investment in 16-month fixed GIC, 1.95% per annum interest rate	June 2016	2,001,496	-
Investment in 36-month fixed/flex GIC, 2.75% per annum interest rate blended over three years	December 2016	5,091,682	5,003,116
Investment in 16-month fixed/flex GIC, 2.55% per annum interest rate (Note 3)	April 2015	-	3,002,725
Cash surrender value of life insurance policies	-	28,196	-
		11,124,979	8,005,841

United Way of Calgary and Area

Notes to the financial statements

December 31, 2014

4. Investments (continued)

Externally managed funds portfolio weighting (continued)

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 December 2016. As at December 31, 2014, \$Nil (2013 - \$Nil) was drawn on this facility.

5. Tangible capital assets

	2014		
	Cost or donated value	Accumulated amortization	Net book value
	\$	\$	\$
Computer software	5,874,393	5,503,993	370,400
Computer equipment	1,554,853	1,053,236	501,617
Furniture and fixtures	396,280	379,740	16,540
Telephone equipment	376,476	362,583	13,893
Building improvements	306,483	211,150	95,333
	8,508,485	7,510,702	997,783

	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

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

United Way of Calgary and Area

Notes to the financial statements

December 31, 2014

7. Deferred contributions (continued)

Changes in deferred contributions are as follows:

	2014			2013	
	Opening balance	Contributions received in year	Deferred contributions used in year	Ending balance	Ending balance
	\$	\$	\$	\$	\$
Tangible capital assets	53,657	-	(22,861)	30,796	53,657
Special projects	6,141,233	5,977,423	(3,806,061)	8,312,595	6,141,233
Donor designated to charities	7,147,669	9,691,052	(9,119,019)	7,719,702	7,147,669
Sponsorship	212,115	143,992	(129,378)	226,729	212,115
	13,554,674	15,812,467	(13,077,319)	16,289,822	13,554,674
Less: current portion				12,400,587	11,913,276
				3,889,235	1,641,398

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

	2014			2013	
	Externally restricted	Internally restricted	Total	Total	
	\$	\$	\$	\$	
Community support	12,268,708	9,430,563	21,699,271	19,689,830	
Special endowments	2,015,266	-	2,015,266	2,043,067	
Infrastructure fund	5,284,483	2,630,620	7,915,103	7,248,149	
Named funds	1,454,043	-	1,454,043	1,310,044	
Endow your Gift	623,408	-	623,408	565,860	
	21,645,908	12,061,183	33,707,091	30,856,950	

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.

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".

United Way of Calgary and Area

Notes to the financial statements

December 31, 2014

8. Fund balances (continued)

a) Tomorrow Fund (continued)

Distribution of income

Prior to January 1, 2014, the Board 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 will 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.

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:

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

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.

United Way of Calgary and Area

Notes to the financial statements

December 31, 2014

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, 2014, these commitments were as follows:

	\$
2015	36,890,000
2016	20,120,000
2017	9,000,000

- 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 of December 31, 2014 was \$316,856 (2013 - \$343,482).

The Organization has also entered into a new five-year lease agreement for office equipment expiring in February 2020.

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

	Office premises \$	Office equipment \$	Total \$
2015	429,988	79,840	509,828
2016	429,988	79,840	509,828
2017	398,391	79,840	478,231
2018	432,642	79,840	512,482
2019	432,642	79,840	512,482
Thereafter	1,297,926	13,307	1,311,233
	<u>3,421,577</u>	<u>412,507</u>	<u>3,834,084</u>

The Organization will conclude negotiations for a new lease on office premises in 2015. This lease will commence in 2016 and will result in changes to the stated commitments for 2016 or later years.

10. Net changes in non-cash working capital

	2014 \$	2013 \$
Campaign pledges receivable	(644,619)	1,178,440
Accounts receivable and other assets	(205,022)	348,729
Government remittances recoverable	8,731	10,982
Accounts payable and accrued liabilities	(57,218)	(268,399)
Deferred contributions	2,735,148	1,870,037
	<u>1,837,020</u>	<u>3,139,789</u>

United Way of Calgary and Area

Notes to the financial statements

December 31, 2014

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 will 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).

12. Financial risk management

The Organization's financial risks are as follows:

Market risk

The Tomorrow Fund's assets include a significant portion of equity, equity-related and debt 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, among other things, the investment mix and concentration limits of individual investments within the pooled funds and the allocation of assets within different funds. The performance of the fund manager is regularly reviewed by the Investment Committee of the Board. The Investment Committee has the authority to make certain changes to the asset mix to manage portfolio risk and return. The performance of the pooled funds is not guaranteed and will vary subject to a variety of factors including but not limited to general economic and business conditions, changes in short and long-term interest rates, currency fluctuations and the underlying performance of individual securities which the pooled funds own. The fluctuations in the underlying net asset value of the pooled funds expose the Organization to fluctuations in the value of its investments. The fair market value of the managed portfolio at December 31, 2014 was \$31,896,978 (2013 - \$28,826,136) with 60.4% (2013 - 63.4%) invested in equity securities (Note 4).

The Organization carries a promissory note valued at \$1,982,750 (2013 - \$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 (2013 - \$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, 2014 was \$11,689 (2013 - \$247,947). These assets will be liquidated as soon as is possible in line with the Organization's Policy on Acceptance and Disposal of Shares.

United Way of Calgary and Area

Notes to the financial statements

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12. Financial risk management (continued)

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 and its 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, 2014, the foreign content of the managed portfolio of the Tomorrow Fund was 41.8% (2013 - 41.3%) (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, 2014

	2014	2013
	\$	\$
Salaries and employee benefits	3,819,937	3,559,056
Occupancy costs	830,513	804,521
Professional fees	380,514	428,360
Promotion and publicity	612,756	742,841
Office expenses	643,853	583,338
Professional development and training	119,959	85,821
Meetings and travel	42,639	37,624
Other administrative expenses	187,328	198,014
Amortization of tangible capital assets	832,904	737,922
Total operational support expenses before allocations	7,470,403	7,177,497
Allocation to fundraising expenses (Schedule 2)	(3,190,278)	(3,245,037)
Allocation to United Way Community Service expenses (Schedule 3)	(4,280,125)	(3,932,460)
	-	-

United Way of Calgary and Area

Schedule of fundraising expenses - Schedule 2 year ended December 31, 2014

	2014	2013
	\$	\$
Salaries and employee benefits	2,953,255	2,834,833
Professional fees	56,480	75,600
Office expenses	80,535	95,404
Professional development and training	2,356	2,083
Meetings and travel	30,196	22,219
Direct fundraising expenses	206,844	230,856
Total direct fundraising expenses (Schedule 4)	3,329,666	3,260,995
Allocation of operational support expenses (Schedules 1 and 4)	3,190,278	3,245,037
	6,519,944	6,506,032

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Schedule of United Way Community Service expenses - Schedule 3 year ended December 31, 2014

	2014	2013
	\$	\$
Community investment process	1,834,949	1,883,433
Allocation of operational support expenses (Schedule 1)	4,280,125	3,932,460
Internally restricted funds applied to projects	3,450,180	3,378,578
Allocations paid to agencies	33,411,243	32,815,073
Emergency reserves - flood relief	55,571	523,753
Tomorrow Fund distributions	123,699	110,656
Donor restricted funds applied to special projects	3,806,061	4,266,054
Donor choice	8,489,548	7,846,764
	55,451,376	54,756,771
Community Service expenses by nature of engagement		
Collaborations focused on system level change	3,595,928	3,760,596
Multi-partner collaboration on delivery of services	11,599,246	10,798,277
Programmatic investments and capacity building	31,766,654	32,351,134
Donor choice	8,489,548	7,846,764
	55,451,376	54,756,771

United Way of Calgary and Area

Schedule of Transparency Accountability and Financial Reporting (TAFR) ratios - Schedule 4 year ended December 31, 2014

	2014		2013	
	\$	%	\$	%
Fundraising ratio				
Total revenue per statement of operations	61,193,018	-	60,553,211	-
Add: allowances for uncollected pledges	1,075,460	-	1,055,411	-
Total revenue for fundraising	62,268,478	-	61,608,622	-
Total direct fundraising expenses (Schedule 2)	3,329,666	5.3%	3,260,995	5.3%
Operational support expenses associated with fundraising (Schedule 2)	3,190,278	5.1%	3,245,037	5.3%
	6,519,944	10.5%	6,506,032	10.6%
Allocation ratio				
Total revenue per statement of operations	61,193,018	-	60,553,211	-
Deficiency of revenue over expenses resourced out of fund balances	(778,302)	(1.3)%	(709,592)	(1.2)%
Funds allocated to United Way Community Service	55,451,376	90.6%	54,756,771	90.4%

Charitable Fund-raising Act and Regulations

Solicitation material provided by the Organization to prospective donors in 2014 reflects total fundraising costs to be an estimated 10% (2013 - 10%) 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.