

Financial statements of

**United Way of Calgary and Area**

December 31, 2017

# United Way of Calgary and Area

December 31, 2017

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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, 2017, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies, supporting schedules, 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, 2017 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 Professional Accountants  
March 21, 2018

# United Way of Calgary and Area

## Statement of operations

year ended December 31, 2017

(In thousands of dollars)

	2017			2016
	General	Tomorrow	Total	Total
	Fund	Fund		
	\$	\$	\$	\$
<b>Revenue</b>				
Gross unrestricted campaign revenue (Note 3)	41,015	270	41,285	44,010
Allowance for uncollected pledges	(785)	-	(785)	(744)
Net unrestricted campaign revenue	40,230	270	40,500	43,266
Donor designated funds to United Way initiatives	5,694	-	5,694	5,255
Donor designated funds to registered charities	7,149	-	7,149	6,960
Tomorrow Fund distribution to General Fund (Note 9(b))	1,323	(1,323)	-	-
Investment income	557	1,531	2,088	1,649
Sponsorship and other revenue	343	-	343	30
	55,295	479	55,774	57,160
<b>Expenses</b>				
Fundraising expenses (Schedule 2)	6,610	-	6,610	6,408
Net revenue available for distributions, community programs and services	48,685	479	49,164	50,752
Distributions, community programs and services expenses (Schedule 3)				
Allocations and designations	40,488	29	40,517	42,975
Community programs and services expenses	9,266	-	9,266	8,503
Total distributions, community programs and services expenses	49,754	29	49,783	51,478
(Deficiency) excess of revenue over expenses before other item	(1,069)	450	(619)	(726)
Unrealized gains (losses) on investments	(11)	1,975	1,964	365
<b>Excess (deficiency) of revenue over expenses</b>	<b>(1,080)</b>	<b>2,425</b>	<b>1,345</b>	<b>(361)</b>

The accompanying notes and schedules 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, 2017

(In thousands of dollars)

					2017	2016
	Designated for community use	Sustainability reserve	Total General Fund	Total Tomorrow Fund	Total	Total
	\$	\$	\$	\$	\$	\$
<b>Fund balance, beginning of year</b>	36,222	8,570	44,792	36,054	80,846	81,042
Excess (deficiency) of revenue over expenses	-	(1,080)	(1,080)	2,425	1,345	(361)
Endowments contributions (transferred) received (Note 9(b))	-	-	-	(586)	(586)	165
Designated in the year for community use	30,531	(30,531)	-	-	-	-
Community investments made in the year	(31,940)	31,940	-	-	-	-
<b>Fund balance, end of year</b>	<b>34,813</b>	<b>8,899</b>	<b>43,712</b>	<b>37,893</b>	<b>81,605</b>	80,846

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

# United Way of Calgary and Area

## Statement of financial position

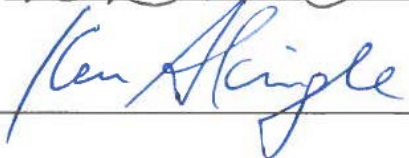
as at December 31, 2017

(In thousands of dollars)

			2017	2016
	General Fund	Tomorrow Fund	Total	Total
	\$	\$	\$	\$
<b>Assets</b>				
Current assets				
Cash and cash equivalents	20,803	-	20,803	14,080
Short-term investments (Note 4)	36	-	36	21,289
Interfund (payable) receivable	(653)	653	-	-
Campaign pledges receivable	17,299	-	17,299	17,902
Accounts receivable and other assets	605	-	605	301
Government remittances recoverable	56	-	56	97
Trust assets (Note 7)	878	-	878	767
	<b>39,024</b>	<b>653</b>	<b>39,677</b>	<b>54,436</b>
Investments (Note 5)	15,521	40,725	56,246	40,975
Tangible capital assets (Note 6)	1,642	-	1,642	1,375
	<b>56,187</b>	<b>41,378</b>	<b>97,565</b>	<b>96,786</b>
<b>Liabilities</b>				
Current liabilities				
Accounts payable and accrued liabilities	627	-	627	613
Trust obligations (Note 7)	878	-	878	767
Current portion of deferred contributions (Note 8)	10,498	63	10,561	11,936
	<b>12,003</b>	<b>63</b>	<b>12,066</b>	<b>13,316</b>
Deferred contributions (Note 8)	472	3,422	3,894	2,624
	<b>12,475</b>	<b>3,485</b>	<b>15,960</b>	<b>15,940</b>
Commitments (Note 10)				
<b>Fund balances</b>				
Sustainability reserve (Note 9(a))	8,899	-	8,899	8,570
Internally restricted (Note 9(a) and (b))	34,813	14,669	49,482	49,727
Endowments (Note 9(b))	-	23,224	23,224	22,549
	<b>43,712</b>	<b>37,893</b>	<b>81,605</b>	<b>80,846</b>
	<b>56,187</b>	<b>41,378</b>	<b>97,565</b>	<b>96,786</b>

Approved by the Board

 Director

 Director

The accompanying notes and schedules 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, 2017

(In thousands of dollars)

	2017	2016
	\$	\$
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses	1,345	(361)
Items not affecting cash and cash equivalents		
Amortization of tangible capital assets	470	520
Unrealized gains on investments	(1,964)	(365)
	(149)	(206)
Net changes in non-cash operating working capital (Note 11)	249	5,741
	100	5,535
<b>Financing activity</b>		
Contributions (transferred) received for endowment purposes	(586)	165
<b>Investing activities</b>		
Tomorrow Fund income (reinvested) redeemed	(3,233)	652
Net investment in long-term investments	(10,074)	(1,321)
Net redemption of (net investment in) short-term investments	21,253	(5,890)
Acquisition of tangible capital assets	(737)	(1,089)
	7,209	(7,648)
Net increase (decrease) in cash and cash equivalents	6,723	(1,948)
Cash and cash equivalents, beginning of year	14,080	16,028
<b>Cash and cash equivalents, end of year</b>	<b>20,803</b>	<b>14,080</b>
<b>Represented by</b>		
Cash	20,803	1,895
Cashable deposits	-	12,185
	20,803	14,080

The accompanying notes and schedules 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, 2017

(In thousands of dollars)

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## 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 the Province of Alberta.

As a registered charitable foundation under subsection 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

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant policies:

### a) Funds

The Organization applies the deferral method of accounting and has elected to further reflect details of its operations through both its General Fund and its Tomorrow Fund. Each of these is described in detail below.

#### 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 initiatives for which designated donor funds or internally designated funds are received to cover a portion of the related project expenditures.

The Organization also receives and distributes funds designated by donors for payment to specified registered charities.

#### Tomorrow Fund

The Tomorrow Fund was established to support the Organization’s long-term objectives.

The Tomorrow Fund is structured to allow it to accept and hold endowment contributions and non-endowment contributions comprising donor advised contributions and internally restricted funds. Funds are distributed as described below.

In 2017, the Board approved the investment of funds from the General Fund alongside balanced fund investments of the Tomorrow Fund in accordance with defined criteria as determined by the Board.

#### Endowment Contributions

Endowment contributions include only contributions that are clearly established as endowment in nature. Endowment contributions include the following:

- Unrestricted Endowments

Unrestricted endowments have no restriction as to purpose and the Organization is free to apply funds available for use as it considers appropriate. Up to 4% of the market value of invested assets of unrestricted endowments as at the end of the prior financial year will be distributed to the General Fund to support the Organization’s work in three focus areas, Poverty, Kids and Community, and additional amounts to offset the Organization’s costs as the Board directs.

# United Way of Calgary and Area

Notes to the financial statements

December 31, 2017

(In thousands of dollars)

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## 2. Significant accounting policies (continued)

### a) Funds (continued)

- Specific Purpose Endowments

Specific purpose endowments restrict the application of funds available for use to defined, unchanging purposes. Up to 4% of the market value of invested assets of specific purpose endowments restricted for a specific purpose as at the end of the prior financial year will be distributed in accordance with the specific requirements attaching to such endowments.

- Donor Advised Endowments

Donor advised endowments provide for the application of funds available for use to be decided with advice of the donor. Up to 4% of the market value of invested assets of donor advised endowments as at the end of the prior financial year will be made available for distribution each year. To the extent that such distribution is not made, the unused portion of the available distribution each year is capitalized. Distributions are made with the advice of the donors.

#### Non-Endowment Internally Restricted Funds

The Board retains the right, in its discretion, to direct the use of these internally restricted gifts and to subsequently remove or vary such internal restrictions. These include funds restricted by the Board out of the General Fund, plus annual gifts to the Tomorrow Fund, legacy bequests, life insurance proceeds and any other testamentary gifts which are not endowed or otherwise restricted by the donor but which are held as internally restricted funds of the Tomorrow Fund (see Note 9(b)).

These funds have been restricted by the Board to match contributions of specific purpose endowments. Distributions from these internally restricted amounts are applied to support the same purposes as the specific purpose endowments to which they relate.

Up to 4% of the market value of invested assets of internally restricted funds as at the end of the prior financial year will be distributed to the General Fund to support the Organization's work in Poverty, Kids and Community, and additional amounts to offset the Organization's costs as the Board directs.

These internally restricted funds are also available to ensure the principal of General Fund investments in the Tomorrow Fund is protected and made whole in the event that any of that principal declines as a result of market conditions.

#### Non-Endowment Donor Advised Contributions

These are contributions that are designated by donor agreements for specified longer term projects. Consistent with the Organization's accounting of such contributions, they are treated as deferred contributions within the Tomorrow Fund. Refer to Note 2(b) under donor designated funds.

To the extent that earnings and growth attribute to these funds and, subject to the agreement with the donor, attributable earnings and growth as well as principal are distributed with the advice of the donor.

### b) Revenue recognition

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

# United Way of Calgary and Area

Notes to the financial statements

December 31, 2017

(In thousands of dollars)

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## 2. Significant accounting policies (continued)

### b) Revenue recognition (continued)

#### Unrestricted Campaign Revenue

An annual campaign is conducted to raise support for projects and services to be 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 and contributions to the Organization's three focus areas – Poverty, Kids and Community. These contributions may be received in cash or as pledges receivable during the annual campaign, and 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 in the year in which the reduction occurs.

Contributions of shares of 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 determined 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 determined value, this amount is included in unrestricted campaign revenue.

#### Donor Designated Funds

All contributions that are designated by donors for United Way initiatives are initially deferred, then recognized as revenue of the General Fund or Tomorrow Fund, as applicable, in the year in which the related expenses are incurred.

Where earnings and growth are attributable to any donor designated funds, they are treated as direct increases of the deferred contribution. Together with the principal contributed, they are recognized as revenue in the year in which the related expenses are incurred.

Contributions of shares of publicly traded companies which are designated by donors are valued, as described under Unrestricted Campaign Revenue, and initially deferred. Revenue is recognized when proceeds are disbursed.

#### Designated Contributions for Tangible Capital Assets

Contributions that are designated by donors or transferred from the Tomorrow Fund for the acquisition of tangible capital assets are deferred and then amortized over the same period as the corresponding asset.

#### Bequests and Legacy Gifts

Annual gifts to the Tomorrow Fund, bequests, life insurance proceeds and any other testamentary gifts which are not endowment gifts or otherwise restricted by the donor are recognized as revenue of the Tomorrow Fund as received.

#### Endowment Contributions

Endowment contributions to the Tomorrow Fund are recognized as direct increases in endowment fund balances.

# United Way of Calgary and Area

Notes to the financial statements

December 31, 2017

(In thousands of dollars)

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## 2. Significant accounting policies (continued)

### b) Revenue recognition (continued)

#### Investment Income and Costs

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

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

### 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) 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 of such goods and services.

### e) Tangible capital assets

Purchased tangible capital assets with a value exceeding \$1,000 are capitalized and recorded at cost. Purchased tangible capital assets with a value of less than \$1,000 are charged as an expense 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 estimated useful lives of the assets, as follows:

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

### f) 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 distributions, community programs and services expenses based on the headcount of the Organization at the beginning of the year in which the operational support expenses are incurred.

# United Way of Calgary and Area

Notes to the financial statements

December 31, 2017

(In thousands of dollars)

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## 2. Significant accounting policies (continued)

### f) Allocation of expenses (continued)

Operational support expenses are allocated as follows:

	2017	2016
	%	%
Fundraising expenses	48.7	47.5
Distributions, community programs and services expenses	51.3	52.5
	<b>100.0</b>	<b>100.0</b>

### g) Financial instruments

Financial instruments are recorded at fair value on initial recognition. Equity instruments and other financial 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.

### h) 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.

### i) Cash and cash equivalents

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

### j) 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

# United Way of Calgary and Area

Notes to the financial statements

December 31, 2017

(In thousands of dollars)

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## 2. Significant accounting policies (continued)

### j) Use of accounting estimates (continued)

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, 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. Gross unrestricted campaign revenue

	2017	2016
	\$	\$
Annual unrestricted campaign	40,947	43,982
Funds transferred from other United Ways	2,397	2,377
Funds transferred to other United Ways	(2,059)	(2,349)
	<b>41,285</b>	<b>44,010</b>

## 4. Short-term investments

At December 31, 2017, the Organization's short-term investments comprise equity securities as the Guaranteed Investment Certificates ("GICs") and Notice Demand accounts were redeemed during the 2017 fiscal year. Equity securities were donated to the Organization and remain unsold at the respective dates of the financial statements. These assets are liquidated as soon as is possible in line with the Organization's Policy on Acceptance and Disposal of Shares.

	Maturity	2017	2016
		\$	\$
GICs			
Investment in 36-month fixed GIC, 2.35% per annum interest rate	December 2017	-	4,192
Investment in 12-month fixed GIC, 1.80% per annum interest rate	June 2017	-	2,079
Investment in 12-month fixed/flex GIC, 1.60% per annum interest rate	December 2017	-	7,004
Investment in Notice Demand accounts at 1.45% per annum interest rate	From March to July 2017	-	8,003
		-	21,278
Equity securities		<b>36</b>	<b>11</b>
		<b>36</b>	<b>21,289</b>

# United Way of Calgary and Area

Notes to the financial statements

December 31, 2017

(In thousands of dollars)

## 5. Investments

	2017	2016
	\$	\$
Tomorrow Fund		
Investments in externally managed funds	40,460	33,285
Promissory note	-	1,983
Irrevocable Charitable Remainder Trust	225	225
Life insurance - cash surrender value	40	35
	<b>40,725</b>	35,528
General Fund		
Balanced fund investments and bond	15,521	5,447
	<b>56,246</b>	40,975

### Externally managed funds portfolio weighting

	2017	2016
	%	%
Pooled bonds and cash	37.6	37.2
Equities		
Canadian	17.8	16.8
United States	21.9	18.6
Other foreign	22.7	27.4
	<b>100.0</b>	100.0

A promissory note was held by the Organization at December 31, 2016 and was settled in full in 2017. This promissory note earned interest on the principal sum at a rate based on the yield on 10-year Government of Canada bonds set in 2007 less 0.25% per annum.

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 the death of the donor.

At December 31, 2017, the Organization's long-term investments of the General Fund were comprised of:

	Maturity	2017	2016
		\$	\$
Investment in 34-month fixed bond, 2.60% per annum interest rate	September 2019	5,410	5,447
Balanced fund investments, 4.0% per annum interest rate	Various	10,111	-
		<b>15,521</b>	5,447

# United Way of Calgary and Area

Notes to the financial statements

December 31, 2017

(In thousands of dollars)

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## 6. Tangible capital assets

	2017		
	Cost or donated value	Accumulated amortization	Net book value
	\$	\$	\$
Computer software	7,008	6,382	626
Computer equipment	1,736	1,573	163
Furniture and fixtures	478	420	58
Telephone equipment	382	377	5
Building improvements	922	132	790
	<b>10,526</b>	<b>8,884</b>	<b>1,642</b>

	2016		
	Cost or donated value	Accumulated amortization	Net book value
	\$	\$	\$
Computer software	6,370	6,145	225
Computer equipment	1,676	1,414	262
Furniture and fixtures	444	400	44
Telephone equipment	378	373	5
Building improvements	920	81	839
	<b>9,788</b>	<b>8,413</b>	<b>1,375</b>

## 7. Trust assets and trust obligations

The Organization coordinates the national campaign for certain 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 in trust for other United Way offices.

## 8. Deferred contributions

Deferred contributions related to tangible capital assets represent the unamortized portions of designated 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 to United Way initiatives represent the unspent portions of donor designated funds to be used to fund initiatives undertaken by the Organization.



# United Way of Calgary and Area

Notes to the financial statements

December 31, 2017

(In thousands of dollars)

## 8. Deferred contributions (continued)

Deferred contributions to registered charities represent the undistributed portion of donor designated funds to be paid to registered charities defined by the donor.

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

Deferred contributions of the Tomorrow Fund are Non-Endowment Donor Advised contributions. These are held in accordance with donor agreements for specified longer term projects.

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

Changes in deferred contributions are as follows:

### *General Fund*

				2017	2016
	Opening balance	Deferred contributions received in year	Deferred contributions used in year	Ending balance	Ending balance
	\$	\$	\$	\$	\$
Tangible capital assets	8	-	(4)	4	8
Donor designated to United Way initiatives	4,904	5,724	(5,690)	4,938	4,904
Donor designated to registered charities	7,148	7,859	(9,232)	5,775	7,148
Sponsorship	264	74	(85)	253	264
	12,324	13,657	(15,011)	10,970	12,324
Less: current portion				10,498	11,848
				472	476

### *Tomorrow Fund*

						2017	2016
	Opening balance	Transfers from endowments	Deferred contributions received in year	Earnings	Deferred contributions used in year	Ending balance	Ending balance
	\$	\$	\$	\$	\$	\$	\$
Non-endowed - donor advised	2,236	654	508	217	(130)	3,485	2,236
Less: current portion						63	88
						3,422	2,148

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

# United Way of Calgary and Area

Notes to the financial statements

December 31, 2017

(In thousands of dollars)

## 9. Fund balances

### a) General Fund

#### Sustainability Reserve

The Board has determined that the Organization needs to retain a level of uncommitted 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 the sustainability of the Organization as required:

- 6 months of operating budget
- 18 months of normal amortization
- \$1,000 disaster response reserve
- \$740, being the unamortized portion of the transfer for building improvements from the Tomorrow Fund

#### Designated for Community Use

The Organization's community investment program is planned around a combination of 1 to 5 year commitments and accommodates years where weak economic conditions might require their use. Any funds beyond those held available under the Sustainability Reserve are considered to be available for community use. In years where a significant operating surplus or deficit results, the funds designated for community use can change materially.

### b) Tomorrow Fund

							2017	2016
	Opening balance	Contributions received (transferred)	Total	Net Unrealized earnings	gains	Distributions	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Non-endowed - internally restricted								
Board discretion	10,980	270	11,250	522	681	(456)	<b>11,997</b>	10,980
Specific purpose	2,525	-	2,525	108	144	(105)	<b>2,672</b>	2,525
	<b>13,505</b>	<b>270</b>	<b>13,775</b>	<b>630</b>	<b>825</b>	<b>(561)</b>	<b>14,669</b>	<b>13,505</b>
Endowments								
Unrestricted endowments	13,423	2	13,425	563	754	(550)	<b>14,192</b>	13,423
Donor advised	4,053	(588)	3,465	122	106	(29)	<b>3,664</b>	4,053
Specific purpose	5,073	-	5,073	216	290	(211)	<b>5,368</b>	5,073
	<b>22,549</b>	<b>(586)</b>	<b>21,963</b>	<b>901</b>	<b>1,150</b>	<b>(790)</b>	<b>23,224</b>	<b>22,549</b>
	<b>36,054</b>	<b>(316)</b>	<b>35,738</b>	<b>1,531</b>	<b>1,975</b>	<b>(1,351)</b>	<b>37,893</b>	<b>36,054</b>

Distributions of \$1,351 include \$29 paid to registered charities under the advice of donors and payments to the General Fund of \$1,322 for support of operations and investments in community.

# United Way of Calgary and Area

Notes to the financial statements

December 31, 2017

(In thousands of dollars)

## 10. Commitments

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

Commitments under this program are included as funds designated for community use. At December 31, 2017, these commitments are as follows:

	\$
2018	32,256
2019	11,702
2020	11,690
2021	11,428

- b) The Organization entered into a new lease from June 1, 2016 for a term of 20 years. The Organization has no material exposure to any environmental or other remediation in terms of any former leases. The Landlord agreed to forgive the potential liability for leasehold allowance under the former main lease.

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

	Digital system access	Office premises	Office equipment	Total
		\$	\$	\$
2018	221	679	80	<b>980</b>
2019	252	693	80	<b>1,024</b>
2020	252	706	13	<b>971</b>
2021	-	720	-	<b>720</b>
2022	-	735	-	<b>735</b>
Thereafter	-	11,402	-	<b>11,402</b>
	724	14,935	173	<b>15,831</b>

## 11. Net changes in non-cash operating working capital

	2017	2016
	\$	\$
Campaign pledges receivable	<b>603</b>	3,835
Accounts receivable and other assets	<b>(304)</b>	(184)
Government remittances recoverable	<b>41</b>	(54)
Accounts payable and accrued liabilities	<b>14</b>	20
Deferred contributions	<b>(105)</b>	2,124
	<b>249</b>	5,741

# United Way of Calgary and Area

Notes to the financial statements

December 31, 2017

(In thousands of dollars)

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## 12. Financing facility

The Organization has a bridge financing facility in the amount of \$5,000 to provide funds when needed. The facility bears interest at the bank's prime rate of interest (currently 3.2% per annum). The facility is secured by hypothecation of the bond maturing in September 2019. As at December 31, 2017, \$Nil (2016 - \$Nil) was drawn on this facility.

## 13. 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.

The Organization's capital includes funds that are restricted either by donors, or by the Board as described in Notes 2 and 9.

The Organization has internal control processes to ensure that any restrictions are met prior to the utilization of these resources, and the Organization has been in compliance with these restrictions throughout the year.

Management and the Board carefully consider fundraising campaigns, donor contributions designated to United Way initiatives, sponsorship and investment income to ensure that sufficient funds will be available to meet the Organization's short-term 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 the Sustainability Reserve or those internally designated for community use. In the event that revenues decline, the Organization will budget for reduced distributions and reduced operational expenditures. The Board has the right to determine how the Organization's funds that are under its discretion may be used to offset any deficits.

The Organization has a bridge financing facility to provide funds when needed (Note 12).

## 14. Financial risk management

The Organization's financial risks are as follows:

### *Market risk*

The Tomorrow Fund's assets include both equity and fixed income securities. These assets are invested in diversified 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 market value of these investments 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, 2017 is \$40,460 (2016 - \$33,285) with 62.4% (2016 - 62.8%) invested in equity securities (Note 5).

# United Way of Calgary and Area

Notes to the financial statements

December 31, 2017

(In thousands of dollars)

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## 14. Financial risk management (continued)

The Organization also carries a Charitable Remainder Trust, valued at \$225 (2016 - \$225) (Note 5). The Organization does not include the value of this asset 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, 2017 was \$36 (2016 - \$11). These assets will be liquidated as soon as is possible, in accordance with the Organization's Policy on Acceptance and Disposal of Shares.

Long-term investments of the General Fund include a bond which is subject to variations in its fair market value, based on the expected yields of equivalent bonds. The fair market value of the bond plus the unamortized premium at December 31, 2017 is \$5,410 (2016 - \$5,447) (Note 5).

### *Liquidity risk*

The Organization may be subject to liquidity risk if required to realize its long-term investments in the near term. Short-term investments in GICs are held in a staggered portfolio to mitigate liquidity risk. As per Note 12, the Organization has a bridge financing facility available to support short-term liquidity.

Investments in the Tomorrow Fund are primarily intended to be held for the long-term with much of its principal held in perpetuity. The Tomorrow Fund investment portfolio has considerable funds in cash (Note 5), which may be accessed if needed in the short-term. In the event that funds are required to be drawn from internally restricted funds of the Tomorrow Fund, arrangements can be made with the investment manager to have funds made available at short notice.

### *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, 2017, the foreign content of the managed portfolio of the Tomorrow Fund was 44.6% (2016 - 46.0%) (Note 5).

### *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 campaign pledge obligations. However, the Organization has a large number of diverse donors, which minimizes the concentration of credit risk. Furthermore, the Organization maintains a provision for potential pledge loss which is adjusted upward should this be considered necessary. The allowance at December 31, 2017 is \$785 (2016 - \$744).

## 15. Comparative figures

Certain of prior year balances have been reclassified to conform to the current year's financial statement presentation. The deficiency of revenue over expenses balance and the fund balance remain unchanged.

# United Way of Calgary and Area

## Schedule 1: Operational support expenses

year ended December 31, 2017

(In thousands of dollars)

	2017	2016
	\$	\$
Salaries and employee benefits	<b>3,515</b>	3,790
Occupancy costs	<b>1,088</b>	929
Professional fees	<b>540</b>	299
Promotion and publicity	<b>499</b>	457
Office expenses	<b>449</b>	485
Professional development and training	<b>53</b>	58
Meetings and travel	<b>59</b>	29
Other administrative expenses	<b>283</b>	210
Amortization of tangible capital assets	<b>470</b>	520
Total operational support expenses		
before allocations	<b>6,956</b>	6,777
Allocation to fundraising expenses (Schedule 2)	<b>(3,389)</b>	(3,220)
Allocation to distributions, community programs and services expenses (Schedule 3)	<b>(3,567)</b>	(3,557)
	-	-

# United Way of Calgary and Area

## Schedule 2: Fundraising expenses

year ended December 31, 2017

(In thousands of dollars)

	2017	2016
	\$	\$
Salaries and employee benefits	<b>3,008</b>	2,910
Professional fees	-	30
Office expenses	<b>71</b>	83
Professional development and training	<b>2</b>	1
Meetings and travel	<b>9</b>	10
Direct fundraising expenses	<b>131</b>	154
Total direct fundraising expenses (Schedule 4)	<b>3,221</b>	3,188
Allocation of operational support expenses (Schedules 1 and 4)	<b>3,389</b>	3,220
Total fundraising expenses	<b>6,610</b>	6,408

# United Way of Calgary and Area

Schedule 3: Distributions, community programs and services expenses  
year ended December 31, 2017

(In thousands of dollars)

	2017	2016
	\$	\$
<b>Distributions</b>		
Allocations and designations to member agencies	35,272	38,116
Allocations and designations to non-member agencies	5,245	4,859
	<b>40,517</b>	42,975
<b>Community programs and services expenses</b>		
Community investment process	1,408	1,596
Community programs and services expenses	3,788	2,857
United Way Centraide Canada dues	503	493
	<b>5,699</b>	4,946
Allocation of operational support expenses (Schedule 1)	3,567	3,557
	<b>49,783</b>	51,478

## Distributions, community programs and services expenses by focus area:

Overcoming poverty	10,226	9,963
Successful kids	12,012	12,340
Strong communities	20,367	22,100
Donor choice	7,149	6,960
Tomorrow Fund	29	115
	<b>49,783</b>	51,478



# United Way of Calgary and Area

Schedule 4: Fundraising ratio  
 year ended December 31, 2017  
 (In thousands of dollars)

	2017		2016	
	\$	%	\$	%
<b>Fundraising ratio</b>				
Total revenue per statement of operations	55,774		57,160	
Add: allowances for uncollected pledges	785		744	
<b>Total revenue for fundraising</b>	<b>56,559</b>		<b>57,904</b>	
Total direct fundraising expenses (Schedule 2)	3,221	5.7	3,188	5.5
Operational support expenses associated with fundraising (Schedule 2)	3,389	6.0	3,220	5.6
	<b>6,610</b>	<b>11.7</b>	<b>6,408</b>	<b>11.1</b>

Solicitation material provided by the Organization to prospective donors during the year reflects total fundraising costs estimated as between 10 and 12% (2016 – 11.1%) of total revenue. In management's opinion 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.