



## Financial Statements

United Way of Newfoundland and Labrador Inc.

March 31, 2012

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# Independent auditors' report

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To the Board of Directors of the  
United Way of Newfoundland and Labrador Inc.

We have audited the accompanying financial statements of the United Way of Newfoundland and Labrador Inc., which comprise the statement of financial position as at March 31, 2012, the statements of revenues, expenditures, general fund balance 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 generally accepted accounting principles, 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 company'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 company'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 qualified audit opinion.

**Basis for qualified opinion**

In common with many charitable and not-for-profit organizations, the United Way of Newfoundland and Labrador Inc. derives part of its revenue from donations and fundraising activities which are not susceptible to conclusive audit verification.

Accordingly, our verification of revenue from these sources was limited to amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures, assets and general fund.

**Qualified opinion**

In our opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the United Way of Newfoundland and Labrador Inc. at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



St. John's, Newfoundland and Labrador

January 7, 2013

Chartered Accountants

United Way of Newfoundland and Labrador Inc.  
 Statements of Revenue, Expenditures and General Fund  
 Balance

Year Ended March 31	2012	2011
Fundraising revenue		
Campaign (Note 6)	\$ 889,695	\$ 778,855
Pledge gain (loss)	<u>15,412</u>	<u>(10,757)</u>
Net fundraising revenue	905,107	768,098
Other revenue		
Interest	1,762	301
Airport coin box	<u>-</u>	<u>1,037</u>
	906,869	769,436
Expenditures		
Fundraising	<u>144,017</u>	<u>117,415</u>
Total net revenue	762,852	652,021
Community investment (Note 7)	<u>751,651</u>	<u>652,650</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 11,201</u>	<u>\$ (629)</u>
General Fund balance, beginning of year	\$ 824,394	\$ 825,023
Excess (deficiency) of revenue over expenditures	<u>11,201</u>	<u>(629)</u>
General Fund balance, end of year	<u>\$ 835,595</u>	<u>\$ 824,394</u>

See accompanying notes to the financial statements.



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United Way of Newfoundland and Labrador Inc.  
Statement of Cash Flows

Year Ended March 31	2012	2011
(Decrease) increase in cash and cash equivalents		
<b>Operating</b>		
Excess (deficiency) of revenue over expenditures	\$ 11,201	\$ (629)
Amortization	<u>809</u>	<u>1,155</u>
	12,010	526
Change in non-cash operating working capital (Note 12)	<u>(54,644)</u>	<u>5,348</u>
	<u>(42,634)</u>	<u>5,874</u>
Net (decrease) increase in cash and cash equivalents	(42,634)	5,874
Cash and cash equivalents		
Beginning of year	<u>676,570</u>	<u>670,696</u>
End of year	<u>\$ 633,936</u>	<u>\$ 676,570</u>

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See accompanying notes to the financial statements.

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# United Way of Newfoundland and Labrador Inc.

## Notes to the Financial Statements

March 31, 2012

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### 1. Nature of operations

The mission of the United Way of Newfoundland and Labrador Inc. is to strengthen neighbourhoods and communities by facilitating programs and services that link people and resources, encourage participation and increase giving. The United Way of Newfoundland and Labrador Inc. is a not-for-profit organization and is a registered charity under the Income Tax Act.

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### 2. Summary of significant accounting policies

#### Fund accounting

The Organization uses fund accounting. Currently the Organization has one fund, the General Fund.

The General Fund accounts for the Organization's fundraising activities. This fund reports the monies which are available to provide support to the community.

#### Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenditures during the year. Actual results could differ from these estimates.

#### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and short-term maturities in the General Fund.

#### Revenue recognition

The Organization follows the deferral method of accounting for campaign revenue. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donor designations, which have externally imposed restrictions, are recognized as revenue in the year funds are received and the designated agency is funded.

Campaign revenue is comprised of unrestricted contributions from the current year campaign achievement and designated contributions recognized in the year. An allowance for pledge loss is provided annually based on historical percentages for pledge collections and on actual collection experience.

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# United Way of Newfoundland and Labrador Inc.

## Notes to the Financial Statements

March 31, 2012

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### 2. Summary of significant accounting policies (cont'd.)

#### Amortization

Rates of amortization applied on a declining balance basis to write-off the cost of capital assets over their estimated lives are as follows:

Computers	30%
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#### Donated goods and services

A substantial number of individuals and business organizations have donated significant amounts of their time and services in kind to the United Way's fundraising activities and its community investment process. Donated materials and services are not recorded in the financial statements as their fair value cannot reasonably be estimated.

#### Financial instruments

The CICA Handbook Section 3855, "Financial Instruments - Recognition and Measurement", requires the Organization to revalue all of its financial assets and liabilities.

In accordance with this standard, the Organization's financial assets and liabilities are classified and measured as follows:

<u>Asset/Liability</u>	<u>Classification</u>	<u>Measurement</u>
Cash and cash equivalents	Held for trading	Fair value
Receivables	Loans and receivables	Amortized cost
Payables and accruals	Other financial liabilities	Amortized cost

Other statement of financial position accounts, such as prepaids, capital assets and deferred campaign designations are not within the scope of the accounting standard as they are not financial instruments.

The fair value of a financial instrument is the estimated amount that the Organization would receive or pay to terminate the instrument agreement at the reporting date. The fair value of cash and cash equivalents, receivables and payables and accruals approximated their carrying value.

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### 3. Future accounting changes

#### *New accounting framework*

The CICA has issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on January 1, 2012, not-for-profit organizations will have to choose between International Financial Reporting Standards ("IFRS") and the accounting standards for private enterprises as the underlying framework, whichever suits them best. Early adoption of these standards is permitted. The Organization plans to adopt the new accounting standards for not-for-profit organizations for its fiscal year beginning on April 1, 2012. The impact of this transition has not yet been determined.

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# United Way of Newfoundland and Labrador Inc.

## Notes to the Financial Statements

March 31, 2012

### 4. Risk management

The Organization's policy for managing significant risks includes policies, procedures and oversight designed to reduce the risks identified to an appropriate threshold. The Board of Directors is provided with timely and relevant reports on the management of significant risks. Significant risks managed by the Organization include liquidity and credit risks.

#### *Liquidity risk*

Liquidity risk is the risk that the Organization will be unable to meet its contractual obligations and financial liabilities. The Organization manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient cash available to meet its obligations and liabilities.

#### *Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Organization's credit risk is attributable to pledge receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is negligible.

### 5. Capital disclosures

The Organization's main objective when managing capital is to safeguard its ability to continue as a going concern, so that it can ensure the continuation of investment support for the community. The capital structure of the Organization consists of a general fund. The Organization manages its capital structure and makes adjustments to it in light of economic conditions. The Organization is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital.

### 6. Campaign revenue

	<u>2012</u>	<u>2011</u>
Campaign achievement	\$ 941,809	\$ 817,376
Donor designations deferred	(162,479)	(158,404)
Donor designations recognized during the year	160,803	162,200
Allocation to Health Partners	<u>(50,438)</u>	<u>(42,317)</u>
	<u>\$ 889,695</u>	<u>\$ 778,855</u>

### 7. Community investment

	<u>2012</u>	<u>2011</u>
Community investment	\$ 470,888	\$ 394,387
Donor designations	151,246	138,227
Community investment support costs	121,637	108,178
Expansion	2,058	7,550
Allocation to the United Way of Canada	<u>5,822</u>	<u>4,308</u>
	<u>\$ 751,651</u>	<u>\$ 652,650</u>

# United Way of Newfoundland and Labrador Inc.

## Notes to the Financial Statements

March 31, 2012

8. Pledges receivable	<u>2012</u>	<u>2011</u>
Pledges and designated pledges to the campaign	\$ 941,809	\$ 817,376
Allocation to Health Partners	(50,438)	(42,317)
Estimated loss on pledges	(29,252)	(23,015)
Estimated pledges receivable	862,119	752,044
Cash received for the campaign	(492,143)	(445,350)
	<u>\$ 369,976</u>	<u>\$ 306,694</u>

Total transfers from other United Way organizations received during the year totalled \$268,818 (2011- \$254,007). There were no transfers to other United Way organizations during the current or prior year. During the year, pledges in the amount of \$2,600 (2011 - \$6,949) have been made by directors of the organization.

9. Capital assets	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computers	\$ 4,531	\$ 2,644	\$ 1,887	\$ 2,696

### 10. Commitments

Under the terms of long-term contracts related to the rental of office space and equipment, the Organization is committed to make the approximate lease payments for the next four years as follows:

2013	\$	41,789
2014	\$	41,416
2015	\$	40,954
2016	\$	34,128

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# United Way of Newfoundland and Labrador Inc.

## Notes to the Financial Statements

March 31, 2012

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### 11. General and administrative costs

The Organization allocates its costs to two functional areas: fundraising and community investment. General and administrative costs which do not pertain specifically to either function are allocated to the functional areas based on management estimates. These estimates have been established using estimates of time devoted by staff in functional areas.

General and administrative costs have been allocated as follows:	<u>2012</u>	<u>2011</u>
To fundraising expenses	55%	55%
To community investment	45%	45%

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### 12. Supplemental cash flow information

Change in non-cash operating working capital		
Pledges receivable	\$ (63,282)	\$ 26,745
Harmonized sales tax receivable	(1,720)	8,999
Prepays	87	(651)
Payables and accruals	8,595	(25,949)
Campaign designations deferred	<u>1,676</u>	<u>(3,796)</u>
	<u>\$ (54,644)</u>	<u>\$ 5,348</u>

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