



Financial Statements

United Way of the Central & South
Okanagan/Similkameen

January 31, 2017

Contents

| | Page |
|---|------|
| Independent auditors' report | 1-2 |
| Statement of financial position | 3 |
| Statement of changes in net assets | 4 |
| Statement of operations and allocations | 5 |
| Statement of cash flows | 6 |
| Notes to the financial statements | 7-13 |
| Schedule 1: Administrative expenses | 14 |
| Schedule 2: Fundraising expenses | 15 |
| Schedule 3: Program expenses | 16 |

Independent auditors' report

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To the Board of Directors
United Way of the Central & South Okanagan/Similkameen

We have audited the accompanying financial statements of the United Way of the Central & South Okanagan/Similkameen (“the Society”), which comprise the statement of financial position as at January 31, 2017, and the statement of changes in net assets, statement of operations and allocations and the statement of 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.

Auditors’ 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 Society’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 Society’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

As is common with many non-profit organizations, the Society derives revenue from donations from the public, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to revenues, net revenue (expense) and cash flows from operations, for the years ended January 31, 2017 and 2016, current assets as at January 31, 2017 and 2016, and net assets as at February 1 and January 31 for both the 2017 and 2016 years. Our audit opinion on the financial statements for the year ended January 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

Qualified opinion

In our opinion, except for the possible 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 the Central & South Okanagan/Similkameen as at January 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on other legal and regulatory requirements

As required by the Society Act of British Columbia, we report that, in our opinion, these accounting principles have been applied on a basis consistent with that of the preceding year.

Kelowna, Canada
May 23, 2017

Grant Thornton LLP
Chartered Professional Accountants

United Way of the Central & South Okanagan/Similkameen

Statement of financial position

| January 31 | 2017 | 2016 |
|--|--------------|--------------|
| Assets | | |
| Current | | |
| Cash and cash equivalents (Note 3) | \$ 515,769 | \$ 554,240 |
| Investments (Note 3) | - | 171,746 |
| Pledges receivable | 610,608 | 593,268 |
| Accounts receivable | 735 | - |
| Prepaid expense | 17,443 | 26,656 |
| GST recoverable | 4,168 | 2,928 |
| | 1,148,723 | 1,348,838 |
| Investment of reserve funds (Note 3) | 467,375 | 632,154 |
| Tangible capital assets (Note 4) | 73,708 | 80,658 |
| | \$ 1,689,806 | \$ 2,061,650 |
| Liabilities | | |
| Current | | |
| Payables and accruals | \$ 65,477 | \$ 75,027 |
| Deferred revenue | 68,007 | 64,341 |
| Government remittances payable | 2,467 | 6,448 |
| Allocations payables (Note 5) | 894,261 | 1,087,399 |
| | 1,030,212 | 1,233,215 |
| Net assets | | |
| Internally restricted contingency reserve | 388,536 | 557,377 |
| Internally restricted tangible capital asset reserve | 16,778 | 12,716 |
| Internally restricted strategic investment reserve | 62,061 | 62,061 |
| Invested in tangible capital assets | 73,708 | 80,658 |
| Unrestricted | 118,511 | 115,623 |
| | 659,594 | 828,435 |
| | \$ 1,689,806 | \$ 2,061,650 |

Commitments (Note 7)

On behalf of the Board

_____ Director _____ Director

See accompanying notes to the financial statements

United Way of the Central & South Okanagan/Similkameen

Statement of changes in net assets

Year ended January 31, 2017

| | Internally restricted contingency reserve | Internally restricted tangible capital asset reserve | Internally restricted strategic investment reserve | Invested in tangible capital assets | Unrestricted | 2017 Total | 2016 Total |
|------------------------------------|--|--|--|---|--------------------------|--------------------------|--------------------------|
| Balance, beginning of year | \$ 557,377 | \$ 12,716 | \$ 62,061 | \$ 80,658 | \$ 115,623 | \$ 828,435 | \$ 943,088 |
| Net expenses | - | - | - | (8,125) | (160,716) | (168,841) | (114,653) |
| Purchase of tangible capital asset | - | - | - | 1,175 | (1,175) | - | - |
| Transfers to (from) reserves | <u>(168,841)</u> | <u>4,062</u> | <u>-</u> | <u>-</u> | <u>164,779</u> | <u>-</u> | <u>-</u> |
| Balance, end of year | <u>\$ 388,536</u> | <u>\$ 16,778</u> | <u>\$ 62,061</u> | <u>\$ 73,708</u> | <u>\$ 118,511</u> | <u>\$ 659,594</u> | <u>\$ 828,435</u> |

See accompanying notes to the financial statements

United Way of the Central & South Okanagan/Similkameen
Statement of operations and allocations

| Year ended January 31 | 2017 | 2016 |
|------------------------------------|----------------------------|----------------------------|
| Revenue | | |
| Donations | | |
| - Designated and undesignated | \$ 936,215 | \$ 1,045,887 |
| - Uncollectible pledges, net | <u>(75,312)</u> | <u>(29,094)</u> |
| | 860,903 | 1,016,793 |
| Bequest | 3,000 | 5,000 |
| Special events | 246,444 | 188,350 |
| Interest | 40,610 | 38,999 |
| Grants | 17,722 | 10,041 |
| Other | - | 270 |
| Gifts in-kind | 2,624 | 10,436 |
| Success by Six Program | <u>180,125</u> | <u>197,951</u> |
| | <u>1,351,428</u> | <u>1,467,840</u> |
| Expenses | | |
| Fundraising expenses (Schedule 2) | <u>440,720</u> | <u>404,049</u> |
| Net revenue available for programs | <u>910,708</u> | <u>1,063,791</u> |
| Program expenses (Schedule 3) | 394,107 | 393,144 |
| Allocations (Note 5) | <u>685,442</u> | <u>785,300</u> |
| | <u>1,079,549</u> | <u>1,178,444</u> |
| Net expenses | <u>\$ (168,841)</u> | <u>\$ (114,653)</u> |

See accompanying notes to the financial statements

United Way of the Central & South Okanagan/Similkameen

Statement of cash flows

| Year ended January 31 | 2017 | 2016 |
|---|-------------|-------------|
| Cash flows provided by (used in) the following activities | | |
| Operating | | |
| Cash received from - donations | \$ 847,231 | \$ 984,842 |
| - other sources | 449,180 | 244,766 |
| Cash paid to agencies, employees and suppliers | (1,710,842) | (1,341,196) |
| Interest received | 40,610 | 33,391 |
| | (373,821) | (78,197) |
| Investing | | |
| Purchase of tangible capital assets | (1,175) | - |
| Proceeds on disposal of investments | 336,525 | 204,100 |
| | 335,350 | 204,100 |
| Increase in cash and cash equivalents | (38,471) | 125,903 |
| Cash and cash equivalents, beginning of year | 554,240 | 428,337 |
| Cash and cash equivalents, end of year | \$ 515,769 | \$ 554,240 |

See accompanying notes to the financial statements

United Way of the Central & South Okanagan/Similkameen

Notes to the financial statements

January 31, 2017

1. Nature of organization

The United Way of the Central & South Okanagan/Similkameen (“the Society”) is a society incorporated under the B.C. Societies Act whose principal activity is raising funds for charitable purposes.

The Society is a registered charity within the definition of the Income Tax Act and therefore, as long as it is in compliance with the rules and regulations of the Income Tax Act, is exempt from income taxes and may issue receipts to donors.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (“ASNPO”) as issued by the Accounting Standards Board in Canada using the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in investments of reserve funds.

Tangible capital assets

Purchased tangible capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably estimated.

Amortization of furniture and equipment is provided using the declining balance method at a rate of 10%, which is intended to amortize the cost of the assets over their estimated useful lives.

Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonable assured.

During the year, contributors donated funds of \$92,595 (2016 - \$77,676) directly to other regional United Ways which were then allocated to local charities on behalf of the Society.

(continued)

United Way of the Central & South Okanagan/Similkameen

Notes to the financial statements

January 31, 2017

2. Summary of significant accounting policies (continued)

Contributed materials and services

Volunteers and other local businesses contribute significant services and other gifts to assist the Society. If the fair value of these contributed services and other gifts are readily determinable the revenue and expenses are recorded in the financial statements. During the current year \$2,624 (2016 - \$10,436) in contributed materials and services were recognized in revenues and expenses. If the fair value of the contributed services and other gifts are not readily determinable the contributed materials and services are not recognized in these financial statements.

Financial instruments

The Society recognizes its financial instruments when the Society becomes a party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Chartered Professional Accountants (CPA) Handbook Section 3840 - *Related Party Transactions*.

At initial recognition, the Society may irrevocably elect to subsequently measure any financial instrument at fair value. The Society has not made such an election during the year.

At each reporting date, the Society measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets). The Society uses the effective interest rate method to amortize any premium discounts, transaction fees and financing fees to the statement of operations and allocations. The financial instruments measured at amortized cost are cash and cash equivalents, investments, pledges receivable, accounts receivable, GST recoverable, investments in reserve funds, payables and accruals, government remittances payable and allocations payable.

Financial assets impairment

The Society assesses impairment of all of its financial assets measured at cost or amortized cost. Management considers whether the issuer is having significant financial difficulty; whether there has been a breach in contract, such as a default or delinquency in interest or principal payments, in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Society determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Society reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; or the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is recognized as an expense in the current year statement of operations and allocations.

The Society reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the year the reversal occurs.

(continued)

United Way of the Central & South Okanagan/Similkameen

Notes to the financial statements

January 31, 2017

2. Summary of significant accounting policies (continued)

Pledges receivable

Contributions pledged are recorded as receivables and allowances are provided for amounts estimated to be uncollectible. Gross pledges receivable and amounts estimated to be uncollectible as at January 31, 2017 is \$644,953 (2016 - \$641,182) and \$34,346 (2016 - \$47,913) respectively.

Long-lived assets

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

When the Society determines that a long-lived asset no longer has any long-term service potential to the Society, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations and allocations. Write-downs are not reversed.

Measurement uncertainty (use of estimates)

The preparation of financial statement 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, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Pledges receivable and accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for uncollectible accounts, where considered necessary, is provided. Amortization is based on the estimated useful lives of furniture and equipment.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, are reported in the statement of operations and allocations in the periods in which they become known.

Allocations

Designated amounts have been donated to the Society on the condition that the funds are applied to specific purposes or specific registered charities.

Undesignated amounts are applied to local community services at the discretion of the Board of Directors through the formal allocations process.

Allocations payable represent designated pledges received and undesignated pledges received and receivable, that the Board of Directors has determined to pay out to qualifying charities during the next fiscal year.

(continued)

United Way of the Central & South Okanagan/Similkameen
Notes to the financial statements
January 31, 2017

2. Summary of significant accounting policies (continued)

Internally restricted reserves

The Society maintains three internally restricted reserve funds, as approved by the board of Directors:

- Contingency reserve

The reserve provides for unanticipated expenses or shortfalls in revenue. The balance of the reserve shall be 6 to 12 months of budgeted expenses for that fiscal year.

- Tangible capital asset reserve

The reserve is to support the replacement of tangible capital assets over their lifecycle. Each year, funds equivalent to 50% of the annual amortization expense calculated for the previous year, or additional amounts as deemed necessary, are allocated to the reserve.

- Strategic investment reserve

The reserve was established to fund special initiatives that align with the long term objectives of the Society. This reserve may also assist with maintaining the Contingency reserve and the Tangible capital asset reserve, should it be required.

All allocations of funds in or out of these reserves are to be done by way of motion to the Board of Directors by the Finance Committee. These reserves are fully funded through cash and cash equivalents as outlined in Note 3.

3. Cash and cash equivalents and investment of reserve funds

| | <u>2017</u> | <u>2016</u> |
|-----------------------------|-------------------|---------------------|
| Cash in bank | \$ 982,927 | \$ 554,032 |
| Petty cash | 217 | 208 |
| Money market funds | <u>-</u> | <u>803,900</u> |
| | <u>\$ 983,144</u> | <u>\$ 1,358,140</u> |
| Allocated to: | | |
| Cash and cash equivalents | \$ 515,769 | \$ 554,240 |
| Investments | - | 171,746 |
| Investment of reserve funds | <u>467,375</u> | <u>632,154</u> |
| | <u>\$ 983,144</u> | <u>\$ 1,358,140</u> |

Included in cash and cash equivalents is cash of \$58,039 (2016 - \$47,059) subject to externally imposed restrictions.

United Way of the Central & South Okanagan/Similkameen
Notes to the financial statements
January 31, 2017

4. Tangible capital assets

| | | | <u>2017</u> | <u>2016</u> |
|-------------------------|-------------|-------------------------------------|---------------------------|---------------------------|
| | <u>Cost</u> | <u>Accumulated amortization</u> | <u>Net book value</u> | <u>Net book value</u> |
| Furniture and equipment | \$ 169,605 | \$ 95,897 | \$ 73,708 | \$ 80,658 |

5. Allocations payable

| | | <u>2017</u> | <u>2016</u> |
|--|--|-------------------|---------------------|
| Balance, beginning of year | | \$ 1,087,399 | \$ 974,368 |
| Allocations paid | | <u>(782,607)</u> | <u>(515,616)</u> |
| Allocations unallocated from prior years | | 304,792 | 458,752 |
| Current year | | | |
| - designated | | 185,442 | 107,716 |
| - undesignated | | 500,000 | 650,000 |
| - designated amounts paid (or payable) by other United Ways during the year | | <u>(95,973)</u> | <u>(129,069)</u> |
| Balance, end of year | | <u>\$ 894,261</u> | <u>\$ 1,087,399</u> |
| Allocations | | | |
| Designated | | \$ 185,442 | \$ 107,716 |
| Undesignated | | <u>500,000</u> | <u>677,584</u> |
| | | <u>\$ 685,442</u> | <u>\$ 785,300</u> |

6. Allocation of administration expenses to fundraising and program expenses

Administrative expenses are incurred to support functional areas and are allocated to fundraising and program expenses based on the time study method. Following this method, administration expenses are allocated as follows:

| | <u>2017</u> | <u>2016</u> |
|-------------------------|-------------|-------------|
| To fundraising expenses | 47% | 64% |
| To program expenses | 53% | 36% |

During the year, the Society's management performed a detailed review of the allocation percentages and determined that, as a result of internal changes during the year, the percentages needed to be adjusted for the current and future years. The allocation percentages were considered appropriate for past years and consequently, no adjustments were deemed necessary.

United Way of the Central & South Okanagan/Similkameen

Notes to the financial statements

January 31, 2017

7. Commitments

The Society has entered into agreements to lease office space until December 2017 and equipment until March 2020. Minimum lease payments for office space and equipment in aggregate for the next four fiscal years are as follows:

| | |
|------|-----------|
| 2018 | \$ 37,197 |
| 2019 | \$ 3,884 |
| 2020 | \$ 3,884 |
| 2021 | \$ 971 |

In addition to the above noted lease payments, the Society is funding a new community initiative that requires quarterly payments of \$24,334, starting July 2016 and ending April 2019.

8. Endowment funds

The Central Okanagan Foundation holds endowment funds for the benefit of the Society. The fund balance has been derived from third party contributions directly to the Central Okanagan Foundation and from allocations from fundraising campaigns by the Society. The fund is held in perpetuity by the Central Okanagan Foundation, with the income earned on the fund being paid to the Society annually. The fund balance at January 31, 2017 was \$596,891 (2016 - \$596,891). Investment income received by the Society from the fund was \$26,860 (2016 - \$20,891) for the current year.

The Community Foundation for the South Okanagan is holding an endowment fund for the benefit of the Society. The fund balance at December 31, 2016 was \$120,922 (2015 - \$120,922). Investment income received by the Society from the fund was \$5,754 (2016 - \$5,608) for the year.

As these amounts are not controlled or owned by the Society, the fund balances are not recorded in the financial statements.

9. Financial instruments

The Society, as part of its operations, carries a number of financial instruments. It is management's opinion that the Society is not exposed to significant interest, currency, liquidity or other price risks arising from these financial instruments.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Society to credit risk consist primarily of accounts receivable and pledges receivable. Certain of the Society's donations are done by pledge, with collection occurring in the following year. An allowance for uncollectible pledges has been recorded and the Society believes this to be adequate to address the credit risk associated with these receivables.

United Way of the Central & South Okanagan/Similkameen

Notes to the financial statements

January 31, 2017

10. British Columbia Societies Act

On November 28, 2016 the new British Columbia Societies Act came into effect. Included in the new Act is a requirement to disclose the remuneration paid to all directors, the ten highest paid employees, and all contractors who were paid at least \$75,000 annually. The Society had one individual, the former Executive Director, who falls into this category with an annual remuneration of approximately \$79,000 for the year ended January 31, 2017.

11. Comparatives

Comparative figures have been adjusted to conform to changes in the current year presentation.

United Way of the Central & South Okanagan/Similkameen
 Schedule 1: Administrative expenses

| Year ended January 31 | 2017 | 2016 |
|--|------------------|------------------|
| Expenses | | |
| Amortization | \$ 8,125 | \$ 8,962 |
| Equipment rental | 1,519 | 975 |
| Information technology | 274 | 2,084 |
| Insurance | 2,682 | 1,902 |
| Meetings and training | 11,037 | 15,989 |
| Office rent | 12,789 | 9,730 |
| Office supplies | 6,606 | 15,495 |
| Postage | - | 1,231 |
| Printing | 3,892 | 2,529 |
| Professional fees | 46,368 | 47,350 |
| Telephone | 2,492 | 6,536 |
| Wages and employee benefits | 41,207 | 37,541 |
| | <u>136,991</u> | <u>150,324</u> |
| Total administrative expenses before allocation | 136,991 | 150,324 |
| Allocation to fundraising expenses (Note 6) (Schedule 2) | (64,003) | (96,207) |
| Allocation to program expenses (Note 6) (Schedule 3) | (72,988) | (54,117) |
| | <u>(136,991)</u> | <u>(136,991)</u> |
| Total administrative expenses | \$ - | \$ - |

United Way of the Central & South Okanagan/Similkameen
Schedule 2: Fundraising expenses

| Year ended January 31 | 2017 | 2016 |
|--|-------------------|-------------------|
| Expenses | | |
| Equipment rental | \$ 1,139 | \$ 1,118 |
| Information technology | 3,011 | 3,139 |
| Insurance | 1,988 | 1,958 |
| Marketing and printing | 14,989 | 10,870 |
| Meetings and training | 19,416 | 25,469 |
| Office rent | 9,892 | 14,572 |
| Office supplies | 16,455 | 3,925 |
| Special event | 112,954 | 79,923 |
| Wages and employee benefits | <u>196,873</u> | <u>166,868</u> |
| Total direct fundraising expenses | 376,717 | 307,842 |
| Allocation of administrative expenses (Schedule 1) | <u>64,003</u> | <u>96,207</u> |
| Total fundraising expenses | \$ 440,720 | \$ 404,049 |

United Way of the Central & South Okanagan/Similkameen
Schedule 3: Program expenses

| Year ended January 31 | 2017 | 2016 |
|--|--------------------------|--------------------------|
| Expenses | | |
| Community building | \$ 531 | \$ 9,251 |
| Donor recognition | 2,363 | 7,859 |
| Equipment rental | 1,139 | 702 |
| Memberships | 18,799 | 10,583 |
| Office rent | 9,292 | 9,077 |
| Office supplies | 12,791 | 38 |
| Wages and employee benefits | 96,079 | 103,566 |
| Success by Six Program | <u>180,125</u> | <u>197,951</u> |
| Total direct program expenses | 321,119 | 339,027 |
| Allocation of administrative expenses (Schedule 1) | <u>72,988</u> | <u>54,117</u> |
| Total program expenses | \$ <u>394,107</u> | \$ <u>393,144</u> |
