Financial Statements of

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

And Independent Auditors' Report thereon

Year ended April 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of United Way of Lethbridge and South Western Alberta Society

Opinion

We have audited the financial statements of United Way of Lethbridge and South Western Alberta Society (the United Way), which comprise:

- the statement of financial position as at April 30, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the United Way as at April 30, 2019 and its results of operations, changes in net assets, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the United Way in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the United Way's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the United Way or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the United Way's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 United Way's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the United Way's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the United Way to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Lethbridge, Canada

July 22, 2019

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Statement of Financial Position

April 30, 2019, with comparative information for 2018

		2019		2018
Assets				
Current assets:				
Cash and cash equivalents (note 2)	$	377,685	$	302,757
Guaranteed investment certificate 2.50%, maturing July 2020 (2018 - 1.45%, maturing July 2018)		91,358		91,068
Accounts receivable (note 3)		66,251		90,132
Goods and services tax receivable		556		568
	$	535,850	$	484,525
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	$	3,748	$	1,817
Accrued payroll expenses		226		4,130
Deferred campaign revenue		23,076		26,728
Other deferred revenue (note 4)		22,568		6,050
Deferred contributions (note 5)		10,000		-
		59,618		38,725
Net assets (note 8):				
Unrestricted		160,232		129,800
Allocations reserve		155,000		155,000
Community impact reserve		71,000		71,000
Operating reserve		90,000		90,000
		476,232		445,800
Commitment (note 7)				
	$	535,850	$	484,525

See accompanying notes to financial statements.

On behalf of the Board:

Danielle Davida Director

[signature] Director

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Statement of Operations

Year ended April 30, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Campaign revenue (note 6)	$ 257,265	$ 348,896
Transfers from other United Way organizations (note 6)	107,698	114,545
	364,963	463,441
Pledge loss	(10,146)	(14,516)
Net campaign revenue	354,817	448,925
Other revenue:		
Special event fundraising	93,382	128,101
Grant and contribution revenue	32,730	71,615
Investment income	2,253	1,075
Total revenue	483,182	649,716
Expenses:		
Fundraising costs:		
Fundraising (schedule)	157,747	140,703
Special events	36,582	39,378
	194,329	180,081
Allocations and programs:		
Allocations to agencies	83,391	204,343
Donor directed giving	80,797	127,953
Program costs (schedule)	94,233	122,972
	258,421	455,268
Excess of revenue over expenses	$ 30,432	$ 14,367

See accompanying notes to financial statements.

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Statement of Changes in Net Assets

Year ended April 30, 2019, with comparative information for 2018

	Unrestricted	Allocations reserve	Community impact reserve	Operating reserve	2019 Total	2018 Total
Balance, beginning of year	$ 129,800	$ 155,000	$ 71,000	$ 90,000	$ 445,800	$ 431,433
Excess of revenue over expenses	30,432	--	--	--	30,432	14,367
Balance, end of year	$ 160,232	$ 155,000	$ 71,000	$ 90,000	$ 476,232	$ 445,800

See accompanying notes to financial statements.

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Statement of Cash Flows

Year ended April 30, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	$ 30,432	$ 14,367
Changes in non-cash operating working capital:		
Accounts receivable	23,881	51,251
Prepaid expenses	-	750
Accounts payable and accrued liabilities	1,931	(2,962)
Goods and services tax receivable	12	6,393
Accrued payroll expenses	(3,904)	(7,109)
Deferred campaign revenue	(3,652)	(78,932)
Other deferred revenue	16,518	6,050
Deferred contributions	10,000	(21,615)
	75,218	(31,807)
Investing:		
Increase in guaranteed investment certificate	(290)	(91,068)
Increase (decrease) in cash	74,928	(122,875)
Cash and cash equivalents, beginning of year	302,757	425,632
Cash and cash equivalents, end of year (note 2)	$ 377,685	$ 302,757

See accompanying notes to financial statements.

United Way of Lethbridge and South Western Alberta Society (the "United Way") is a not-for-profit organization incorporated under the Societies Act of Alberta. Its principal activities are focused on raising funds for registered charities throughout southwestern Alberta. The United Way is a registered charity and accordingly is exempt from income taxes under the provisions of the Income Tax Act.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for Not-For-Profit organizations in Part III of the CPA Canada Handbook - Accounting. The United Way's significant accounting policies are as follows:

(a) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits, which are highly liquid with original maturities of less than three months from the date of acquisition.

(b) Revenue recognition:

The United Way follows the deferral method of accounting for campaign revenue. Non-designated campaign contributions are recognized as revenue in the period the contribution is received or receivable. A provision for uncollectible pledges is recorded to reduce pledges receivable and revenue.

Campaign contributions where the donor has directed that the funds be allocated to a registered charity are initially recorded as deferred revenue. Upon payment of the funds to the registered charity, the payment is recognized as an expense and the contribution is recognized as revenue. Administration fees related to donor directed contributions are recognized in the period the payment is made to the registered charity.

Grants and externally restricted contributions are recognized as revenue in the year which the related expenses are incurred. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. Unrestricted grants are recognized as revenue in the year received.

Interest revenue is recognized as revenue when earned. Other revenue including revenue from fees, contracts, and registration fees are recognized when services are provided. Fundraising revenue is recognized when the event has taken place unless the revenue is externally restricted.

(c) Pledges receivable:

Contributed pledges are recorded as receivable when committed and allowances are provided for amounts estimated to be uncollectible.

1. Significant accounting policies (continued):

(d) Contributed goods and services:

Donations and contributions in kind are recorded at fair value when such value can reasonably be determined.

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The United Way has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the United Way determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the United Way expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

1. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the provisions for impairment of accounts receivable. Actual results could differ from those estimates.

(g) Funds transferred from other United Way organizations:

Funds transferred from other United Way organizations is revenue raised locally by the United Way. These are donations from businesses located in multiple jurisdictions that are processed centrally. The revenue from other United Way organizations represents funds of locally generated donations.

2. Cash and cash equivalents:

The United Way holds $15,560 (2018 - $nil) in gaming proceeds in a separate bank account. These funds are governed by the Alberta Gaming and Liquor Commission.

Also included in cash is $7,008 of restricted grant funds received from the City of Lethbridge and $10,000 of restricted contributions.

3. Accounts receivable:

	2019	2018
Pledges receivable	$ 76,750	$ 105,932
Allowance for uncollectible pledges	(10,499)	(15,800)
	$ 66,251	$ 90,132

4. Other deferred revenue:

At April 30, 2019, $15,560 of fundraising (gaming) revenue has been received relating to the Hurricanes raffle (2018 - $6,050 golf tournament fundraising revenue) and $7,008 (2018 - $nil) has been received relating to a grant from the City of Lethbridge. These funds will be recognized as fundraising revenue and grant revenue when the stipulations have been met.

5. Deferred contributions:

Deferred contributions represent externally restricted amounts that have not yet been expended. The deferred contributions balance is as follows:

	2019	2018
D.B. Wilson estate	$ 10,000	$ -

During the year, a grant payment of $25,000 (2018 - $50,000) was received by the United Way and was restricted to be spent on administrative salaries. The amount recognized in 2019 was $25,000 (2018 - $51,813) and the unspent portion of these grants as at April 30, 2019 was $nil (2018 - $nil). Any unspent amounts are spent in the next fiscal period.

Monies that were received from the D.B. Wilson Estate during the 2019 year were externally restricted and to be used for the benefit of individuals suffering from Alzheimer's and Parkinson's disease.

6. Community fund:

	Non-designated donations	Designated donations	2019 Total	2018 Total
Campaign revenue	$ 182,367	$ 74,898	$ 257,265	$ 348,896
Transfers from other United Way organizations	106,529	1,169	107,698	114,545
	$ 288,896	$ 76,067	$ 364,963	$ 463,441

7. Commitment:

The United Way's operating lease for the rental of office space expired on December 31, 2018. The United Way has currently not entered into a new agreement and is paying $2,000 per month on a month-to-month basis.

8. Appropriated net assets:

Appropriated net assets are amounts internally restricted and set aside by the Board of Directors to be used for designated purposes. These internally restricted amounts are not available for other purposes without approval by the Board. At April 30, 2019, the United Way restricted $155,000 (2018 - $155,000) as an allocations reserve for future disbursements, $71,000 (2018 - $71,000) as a community impact reserve and $90,000 (2018 - $90,000) as an operating reserve for future operations.

9. Re-allocation of expenses:

General management and administration expenses are re-allocated between fundraising expenses and program expenses based on a time study method. The allocation for 2019 is 50% (2018 - 50%) to each fundraising and program expense. Salaries and benefits have been allocated per employee based on a time study method.

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Schedule of Administration, Fundraising and United Way Program Expenses

Year ended April 30, 2019, with comparative information for 2018

	Administration	Fundraising	Programs	2019 Total	2018 Total
Direct costs:					
Salaries and benefits	$ 50,135	$ 87,084	$ 43,969	$ 181,188	$ 186,602
Other direct costs	3,543	9,784	4,892	18,219	18,718
	53,678	96,868	48,861	199,407	205,320
General office	5,788	31,146	15,639	52,573	58,355
Total expenses before reallocation of administrative expenses	59,466	128,014	64,500	251,980	263,675
Reallocation of administrative expenses (note 8)	(59,466)	29,733	29,733	--	--
Total expenses	$ --	$ 157,747	$ 94,233	$ 251,980	$ 263,675