

Financial Statements of

**UNITED WAY OF
LETHBRIDGE AND
SOUTH WESTERN
ALBERTA SOCIETY**

And Independent Auditors' Report thereon

Year ended April 30, 2020



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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, 2020
- 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 and schedule 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, 2020 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 23, 2020

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Statement of Financial Position

April 30, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 442,081	\$ 377,685
Guaranteed investment certificate 2.50%, maturing July 2020	93,642	91,358
Accounts receivable and accrued interest receivable (note 3)	44,537	66,251
Goods and services tax receivable	2,148	556
Prepaid expense and deposit	3,163	-
	\$ 585,571	\$ 535,850

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ 226
Accrued payroll expenses	9,240	3,748
Deferred campaign revenue	13,550	23,076
Other deferred revenue (note 4)	106,669	22,568
Deferred contributions (note 5)	7,300	10,000
	136,759	59,618
Net assets (note 8):		
Unrestricted	132,812	160,232
Allocations reserve	155,000	155,000
Community impact reserve	71,000	71,000
Operating reserve	90,000	90,000
	448,812	476,232
Commitment (note 7)		
Subsequent event (note 12)		
	\$ 585,571	\$ 535,850

See accompanying notes to financial statements.

On behalf of the Board:

Danielle Davich Director

Catherine Byss Director

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Statement of Operations

Year ended April 30, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Campaign revenue (note 6)	\$ 199,030	\$ 247,850
Transfers from other United Way organizations (note 6)	136,148	115,102
	<u>335,178</u>	<u>362,952</u>
Pledge loss	(17,774)	(10,146)
Net campaign revenue	317,404	352,806
Other revenue:		
Special event fundraising	80,496	93,107
Grant and contribution revenue	7,266	32,730
Investment income	2,308	2,053
Other income	1,970	2,486
Total revenue	<u>409,444</u>	<u>483,182</u>
Expenses:		
Fundraising costs:		
Fundraising (schedule)	163,591	158,283
Special events	37,693	38,488
	<u>201,284</u>	<u>196,771</u>
Allocations and programs:		
Allocations to agencies (note 9)	78,082	83,391
Donor directed giving	58,545	78,067
Program costs (schedule)	98,953	94,521
	<u>235,580</u>	<u>255,979</u>
Excess (deficiency) of revenue over expenses	<u>\$ (27,420)</u>	<u>\$ 30,432</u>

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, 2020, with comparative information for 2019

	Unrestricted	Allocations reserve	Community impact reserve	Operating reserve	2020 Total	2019 Total
Balance, beginning of year	\$ 160,232	\$ 155,000	\$ 71,000	\$ 90,000	\$ 476,232	\$ 445,800
Excess (deficiency) of revenue over expenses	(27,420)	--	--	--	(27,420)	30,432
Balance, end of year	\$ 132,812	\$ 155,000	\$ 71,000	\$ 90,000	\$ 448,812	\$ 476,232

See accompanying notes to financial statements.

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Statement of Cash Flows

Year ended April 30, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (27,420)	\$ 30,432
Changes in non-cash operating working capital:		
Accounts receivable and accrued interest receivable	21,714	23,881
Goods and services tax receivable	(1,592)	12
Prepaid expense and deposit	(3,163)	-
Accounts payable and accrued liabilities	(226)	(1,593)
Accrued payroll expenses	5,492	(380)
Deferred campaign revenue	(9,526)	(3,652)
Other deferred revenue	84,101	16,518
Deferred contributions	(2,700)	10,000
	66,680	75,218
Investing:		
Increase in guaranteed investment certificate	(2,284)	(290)
Increase in cash	64,396	74,928
Cash and cash equivalents, beginning of year	377,685	302,757
Cash and cash equivalents, end of year (note 2)	\$ 442,081	\$ 377,685

See accompanying notes to financial statements.

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Notes to Financial Statements

Year ended April 30, 2020

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.

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended April 30, 2020

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.

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended April 30, 2020

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 and the allocation of operating expenses. 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.

(h) Restriction on net assets:

The operating reserve represents funds that the Board of Directors has internally restricted to be used by the United Way in periods of financial uncertainty.

The community impact reserve and the allocations reserve represents funds that the Board of Directors has internally restricted with respect to community investment and building for the future through United Way programs. The specific use of the reserve is at the discretion of the Board of Directors.

2. Cash and cash equivalents:

The United Way holds \$28,769 (2019 - \$15,560) in gaming proceeds in a separate bank account. These funds are governed by the Alberta Gaming and Liquor Commission.

Also included in cash is \$1,908 (2019 - \$7,008) of restricted grant funds received from the City of Lethbridge, \$7,300 (2019 - \$10,000) of restricted contributions, and \$75,992 of restricted funds for COVID-19 relief (2019 - \$nil).

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended April 30, 2020

3. Accounts receivable and accrued interest receivable:

	2020	2019
Pledges receivable	\$ 60,897	\$ 75,004
Allowance for uncollectible pledges	(18,149)	(10,499)
	42,748	64,505
Accrued interest	1,789	1,746
	\$ 44,537	\$ 66,251

Accrued interest receivable is for a two year guaranteed investment certificate maturing in July 2020.

4. Other deferred revenue:

At April 30, 2020, \$28,769 of fundraising (gaming) revenue has been received relating to the Hurricanes raffle of \$26,308 and other gaming revenue of \$2,461 (2019 - \$15,560 Hurricanes raffle), \$1,908 (2019 - \$7,008) relating to a grant from the City of Lethbridge, and \$75,992 (2019 - \$nil) has been received in the 2020 fiscal year relating to grants for COVID-19 relief. 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:

	2020	2019
D.B. Wilson estate	\$ 7,300	\$ 10,000

In the prior year, a grant payment of \$25,000 was received by the United Way and was restricted to be spent on administrative salaries. The amount recognized in 2019 was \$25,000 and the unspent portion of this grant as at April 30, 2019 was \$nil. No similar grant was received in 2020.

Monies received of \$10,000 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. During the year, \$2,700 (2019 - \$nil) of the funds were used and recognized in the statements.

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended April 30, 2020

6. Community fund:

	Non-designated donations	Designated donations	2020 Total	2019 Total
Campaign revenue	\$ 179,374	\$ 19,656	\$ 199,030	\$ 247,850
Transfers from other United Way organizations	102,212	33,936	136,148	115,102
	<u>\$ 281,586</u>	<u>\$ 53,592</u>	<u>\$ 335,178</u>	<u>\$ 362,952</u>

7. Commitment:

During the 2020 fiscal year, the United Way entered into a five year operating lease for the rental of office space, expiring on November 14, 2024. The minimum annual lease payments over the next five years are approximately as follows: 2021 - \$23,188; 2022 - \$23,811; 2023 - \$24,684; 2024 - \$25,307; 2025 - \$13,090.

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, 2020, the United Way restricted \$155,000 (2019 - \$155,000) as an allocations reserve for future disbursements, \$71,000 (2019 - \$71,000) as a community impact reserve and \$90,000 (2019 - \$90,000) as an operating reserve for future operations.

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended April 30, 2020

9. Allocation to agencies

The allocations to agencies includes \$73,000 (2019 - \$75,000) of budgeted allocations made for the 2020 year.

10. 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 2020 is 50% (2019 - 50%) to each fundraising and program expense. Salaries and benefits have been allocated per employee based on a time study method.

11. Financial risks and concentration of risk:

(a) Credit risk:

The United Way is exposed to credit risk to the extent that its donors may experience financial difficulty and would be unable to meet their pledge obligations. However, the United Way has a large number of donors, which mitigates the concentration of credit risk. The United Way assesses, on a continuous basis, pledges receivable and provides for any amount that is not collectible in the allowance for uncollectible pledges.

(b) Liquidity risk:

Liquidity risk is the risk that the United Way will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The United Way manages its liquidity risk by monitoring its operating requirements. The United Way prepares and monitors a budget to ensure it has sufficient funds to fulfill its obligations. Cash flow forecasts are regularly monitored by the Board of Directors.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the operating results and financial position of the United Way in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the business is not known at this time.

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended April 30, 2020

11. Financial risks and concentration of risk: (continued):

(c) Other risks:

Management's opinion is that the United Way is not exposed to any additional significant interest rate, currency or market risks that are not already disclosed elsewhere in the financial statements.

12. Subsequent event:

Subsequent to the year end, the United Way received additional funding related to the COVID-19 pandemic which includes approximately \$490,000 from Employment & Social Development Canada ("ESDC"). The funds are to be used to identify the needs of seniors and vulnerable individuals impacted by the COVID-19 pandemic and support the delivery of immediate interventions through the COVID-19 Seniors Response Fund and the COVID-19 Emergency Community Support Fund.

13. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year's earnings.

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Schedule of Administration, Fundraising and United Way Program Expenses

Year ended April 30, 2020, with comparative information for 2019

	Administration	Fundraising	Program	2020 Total	2019 Total
Direct costs:					
Salaries and benefits	\$ 50,950	\$ 91,548	\$ 47,844	\$ 190,342	\$ 181,188
Other direct costs	2,833	8,228	4,114	15,175	18,219
	53,783	99,776	51,958	205,517	199,407
General office	6,281	33,783	16,963	57,027	53,397
Total expenses before reallocation of administrative expenses	60,064	133,559	68,921	262,544	252,804
Reallocation of administrative expenses (note 8)	(60,064)	30,032	30,032	--	--
Total expenses	\$ --	\$ 163,591	\$ 98,953	\$ 262,544	\$ 252,804