

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended April 30, 2021



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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, 2021
- 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, 2021 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, 2021

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Statement of Financial Position

April 30, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 532,896	\$ 442,081
Guaranteed investment certificate 2.50%	-	93,642
Accounts receivable and accrued interest receivable (note 3)	50,660	44,537
Goods and services tax receivable	1,102	2,148
Inventory	20,707	-
Prepaid expense and deposit	2,422	3,163
	<u>\$ 607,787</u>	<u>\$ 585,571</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,346	\$ -
Accrued payroll expenses	13,266	9,240
Deferred campaign revenue	3,795	13,550
Other deferred revenue (note 4)	148,714	106,669
Deferred contributions (note 5)	-	7,300
	<u>167,121</u>	<u>136,759</u>
Net assets (note 9):		
Unrestricted	124,666	132,812
Allocations reserve	155,000	155,000
Community impact reserve	71,000	71,000
Operating reserve	90,000	90,000
	<u>440,666</u>	<u>448,812</u>

Commitment (note 8)

Subsequent event (note 13)

	<u>\$ 607,787</u>	<u>\$ 585,571</u>
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See accompanying notes to financial statements.

On behalf of the Board:

Catherine Selzer Director

J. Zakusak Director

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Statement of Operations

Year ended April 30, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Campaign revenue (note 6)	\$ 243,597	\$ 199,030
Transfers from other United Way organizations (note 6)	742,949	136,148
	<u>986,546</u>	<u>335,178</u>
Pledge loss	(953)	(17,774)
Net campaign revenue	985,593	317,404
Other revenue:		
Special event fundraising	35,947	80,496
Grant and contribution revenue (note 7)	49,975	7,266
Investment income	710	2,308
Other income	3,554	1,970
Total revenue	<u>1,075,779</u>	<u>409,444</u>
Expenses:		
Fundraising costs:		
Fundraising (schedule)	167,013	163,591
Special events	1,550	37,693
	<u>168,563</u>	<u>201,284</u>
Allocations and programs:		
Allocations to agencies (note 10)	755,418	78,082
Donor directed giving	53,421	58,545
Program costs (schedule)	106,523	98,953
	<u>915,362</u>	<u>235,580</u>
Deficiency of revenue over expenses	<u>\$ (8,146)</u>	<u>\$ (27,420)</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, 2021, with comparative information for 2020

	Unrestricted	Allocations reserve	Community			2021 Total	2020 Total
			Unrestricted	Allocations reserve	Community impact reserve		
Balance, beginning of year	\$ 132,812	\$ 155,000	\$ 71,000	\$ 90,000	\$ 448,812	\$ 476,232	
Deficiency of revenue over expenses	(8,146)	--	--	--	(8,146)	(27,420)	
Balance, end of year	\$ 124,666	\$ 155,000	\$ 71,000	\$ 90,000	\$ 440,666	\$ 448,812	

See accompanying notes to financial statements.

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Statement of Cash Flows

Year ended April 30, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (8,146)	\$ (27,420)
Changes in non-cash operating working capital:		
Accounts receivable and accrued interest receivable	(6,123)	21,714
Goods and services tax receivable	1,046	(1,592)
Inventory	(20,707)	-
Prepaid expense and deposit	741	(3,163)
Accounts payable and accrued liabilities	1,346	(226)
Accrued payroll expenses	4,026	5,492
Deferred campaign revenue	(9,755)	(9,526)
Other deferred revenue	42,045	84,101
Deferred contributions	(7,300)	(2,700)
	(2,827)	66,680
Investing:		
Decrease (increase) in guaranteed investment certificate	93,642	(2,284)
Increase in cash	90,815	64,396
Cash and cash equivalents, beginning of year	442,081	377,685
Cash and cash equivalents, end of year (note 2)	\$ 532,896	\$ 442,081

See accompanying notes to financial statements.

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Notes to Financial Statements

Year ended April 30, 2021

Nature of operations:

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.

On March 11, 2020, the Coronavirus COVID-19 outbreak ("COVID-19") was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Alberta governments, enacting emergency measures to combat the spread of the virus. These measures include implementation of travel bans, self-imposed quarantine periods, closures of non-essential businesses, and physical distancing, which have caused material disruption to businesses globally and in Canada, resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. Accordingly, economic uncertainties have arisen which could have a negative impact on the United Way's revenue streams and results of operations.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the United Way, if any, is not known at this time. The United Way continues to operate within the Provincial Government health guidelines. This has not had significant overall impact on the United Way's operations however, the current challenging economic climate has led to temporary declines in certain campaigns and fundraising revenues and the related cash flows. To mitigate some of these financial impacts, management has been closely monitoring its operating results and has applied for certain federal and provincial government relief programs, as described in notes 7 and 13. This has resulted in the recovery of some cash flows. Further, given the uncertainty of the situation, there could be future impact, including potential decreases in revenue or the profitability of ongoing operations. The United Way continues to manage liquidity risk by forecasting and assessing cash flow requirements on an ongoing basis. The United Way continues to meet its contractual obligations within normal payment terms. An estimate of the financial effect of COVID-19 on the United Way's operations is not practicable at this time.

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended April 30, 2021

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) Inventory:

Inventory is valued at the lower of cost and replacement cost. Inventory received as a donation in kind is valued at fair value at the date of contribution.

(c) 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.

(d) 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, 2021

1. Significant accounting policies (continued):

(e) 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.

(f) 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, 2021

1. Significant accounting policies (continued):

(g) 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.

The uncertainties around COVID-19 pandemic, as described within the nature of operations, requires the use of judgment and estimates which resulted in no material impact for the year ended April 30, 2021 however, the future impact of COVID-19 cannot be reasonably estimated at this time.

(h) 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.

(i) 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.

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended April 30, 2021

2. Cash and cash equivalents:

The United Way holds \$nil (2020 - \$28,769) 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 (2020 - \$1,908) of restricted grant funds received from the City of Lethbridge, \$nil (2020 - \$7,300) of restricted contributions, \$139,900 (2020 - \$75,992) of restricted funds for COVID-19 relief, and \$1,905 (2020 - \$nil) in the Unification Fund which will be used specifically to fund local programs that focus on anti-racism and anti-discrimination education in the Lethbridge area.

3. Accounts receivable and accrued interest receivable:

	2021	2020
Pledges receivable	\$ 53,373	\$ 60,897
Allowance for uncollectible pledges	(16,012)	(18,149)
	37,361	42,748
Government assistance	13,299	-
Accrued interest	-	1,789
	\$ 50,660	\$ 44,537

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended April 30, 2021

4. Other deferred revenue:

At April 30, 2021, \$nil of fundraising (gaming) revenue has been received relating to the Hurricanes raffle or other gaming revenue (2020 - \$26,308 Hurricanes raffle and \$2,551 other gaming revenue), \$1,908 (2020 - \$1,908) relating to a grant from the City of Lethbridge, \$5,000 has been received relating to the upcoming Golf Classic, \$1,905 in Unification Fund revenue and \$139,900 (2020 - \$75,992) has been received 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:

	2021	2020
D.B. Wilson estate	\$ -	\$ 7,300

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, the remaining \$7,300 (2020 - \$2,700) 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, 2021

6. Community fund:

	Non-designated donations	Designated donations	2021 Total	2020 Total
Campaign revenue	\$ 206,145	\$ 37,452	\$ 243,597	\$ 199,030
Transfers from other United Way organizations	727,075	15,874	742,949	136,148
	\$ 933,220	\$ 53,326	\$ 986,546	\$ 335,178

Included in transfers from other United Way organizations is \$555,920 of COVID-19 funding. Included in campaign revenue is \$20,707 (of inventory) received as a donation in-kind.

7. Government assistance:

The Government of Canada created programs called the Temporary Wage Subsidy ("TWS") and the Canada Emergency Wage Subsidy ("CEWS") to provide wage assistance to organizations who experience economic challenges resulting from the COVID-19 pandemic. During the year, the United Way met the eligibility requirements for both programs and received \$38,785 (2020 - \$2,167). The United Way accrued an additional \$11,190 (2020 - \$nil) receivable from the Government of Canada pertaining to CEWS application relating to fiscal 2021 and this amount is recorded in accounts receivable. The entire amount has been recognized in grant and contribution revenue in the statement of operations.

8. Commitment:

In the prior 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 four years are approximately as follows: 2022 - \$23,810; 2023 - \$24,680; 2024 - \$25,300; and 2025 - \$13,000.

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended April 30, 2021

9. 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, 2021, the United Way has restricted \$155,000 (2020 - \$155,000) as an allocations reserve for future disbursements, \$71,000 (2020 - \$71,000) as a community impact reserve and \$90,000 (2020 - \$90,000) as an operating reserve for future operations.

10. Allocation to agencies

The allocations to agencies includes \$79,102 (2020 - \$73,000) of budgeted allocations made for the 2021 year and \$650,905 in COVID-19 allocations.

11. 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 2021 is 50% (2020 - 50%) to each fundraising and program expense. Salaries and benefits have been allocated per employee based on a time study method.

12. 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.

The risk exposure may be affected by the COVID-19 pandemic, which may impact liquidity further in 2022.

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Notes to Financial Statements (continued)

Year ended April 30, 2021

13. Subsequent event:

Subsequent to year end, the Company applied for and received a \$60,000 interest free loan under the Canada Emergency Business Account from Servus Credit Union to assist with covering non-deferrable operating expenses. The \$20,000 forgivable portion of the loan will be included in revenue as grant and contribution revenue in the 2022 fiscal year and the remaining \$40,000 will be included in long-term debt. If the \$40,000 remainder of the loan is repaid on or before December 31, 2022 the forgivable amount will be forgiven at the time of repayment.

UNITED WAY OF LETHBRIDGE AND SOUTH WESTERN ALBERTA SOCIETY

Schedule of Administration, Fundraising and United Way Program Expenses

Year ended April 30, 2021, with comparative information for 2020

		Administration	Fundraising	Program	2021 Total	2020 Total
Direct costs:						
Salaries and benefits	\$	72,383	\$ 86,039	\$ 45,988	\$ 204,410	\$ 190,342
Other direct costs		2,562	10,518	5,259	18,338	15,175
		74,945	96,557	51,247	222,749	205,517
General office		5,188	30,390	15,209	50,787	57,027
Total expenses before reallocation of administrative expenses		80,133	126,947	66,456	273,536	262,544
Reallocation of administrative expenses (note 11)		(80,133)	40,066	40,067	--	--
Total expenses	\$	--	\$ 167,013	\$ 106,523	\$ 273,536	\$ 262,544