



MESSAGE FROM THE TREASURER

Even in these challenging times, the donors to United Way of Greater Toronto have remained generous. As a result, I am able to report that United Way of Greater Toronto continues to be in excellent financial health.

One of the distinct strengths of United Way's fundraising is its workplace campaigns and giving by way of payroll donations, which generally are collected in the year following each fall's campaign. As a result, the 2001 Statement of Operations reflects the financial results of our fall 2000 annual campaign, which was largely collected and remitted to United Way in 2001. The allocations and grants to agencies and partners paid out in 2001 are based on the fall 2000 campaign results. The success of

this campaign allowed us to augment our distributions to the community by over \$3 million in 2001, an increase of 8%.

During 2001, the Stabilization Fund was dissolved, as approved by the Board in 2000. This resulted in a transfer of \$12.5 million to The Tomorrow Fund, which has a balance at December 31, 2001 of \$27.7 million. The additional income from The Tomorrow Fund will enable us to greatly expand our Success by 6® programs, helping children throughout Toronto to get a healthy start. The balance of the Stabilization Fund is now included in the unrestricted net assets, which has a balance at December 31, 2001 of approximately \$8 million; \$2 million of this balance has been committed by the Board of Trustees to be spent over the next three years building a system of neighbourhood supports in the former suburbs of the City of Toronto.

The environment for fundraising remains a highly competitive one. While United Way of Greater Toronto benefits enormously from the thousands of volunteers who help its campaigns, it is necessary to invest in the people and tools that allow us to better reach and develop relationships with our donors. The Board of Trustees and management continue to make every effort to control operating costs, but believe that these investments are both worthwhile and necessary. Compensation of senior staff is reviewed and approved each year by an independent Committee of the Board. In 2001, our overall cost of fundraising, including endowment contributions, is 11.8%. This compares very favourably to the average cost of fundraising in Canada of 26%, as reported by the Centre for Philanthropy.

J. DOUGLAS BARRINGTON, FCA
Vice Chair, Deloitte & Touche LLP
Vice Chair, Finance and Treasurer

2001 FINANCIAL STATEMENTS

**UNITED WAY OF GREATER TORONTO
(incorporated under the laws of Ontario)**

Auditors Report

To the Board of Trustees of United Way of Greater Toronto

We have audited the statement of financial position of United Way of Greater Toronto as at December 31, 2001 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of United Way of Greater Toronto's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of United Way of Greater Toronto as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that tapers at both ends, serving as a decorative underline.

**Chartered Accountants
Toronto, Canada
March 15, 2002**

NOTES TO FINANCIAL STATEMENTS

The mission of United Way of Greater Toronto ("United Way") is to meet urgent human needs and improve social conditions by mobilizing the community's volunteer and financial resources in a common cause of caring.

United Way is registered as a charitable organization under the Income Tax Act (Canada) (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, United Way must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied within the framework of the significant accounting policies summarized below:

(a) Revenue recognition:

United Way follows the deferral method of accounting for campaign revenue.

The campaign revenues reported in these financial statements represent amounts received or receivable in connection with the 2000 campaign and the related distributions made from the proceeds of that campaign in 2001. This includes pledges and donations which the donors designate for payment to partners and member agencies, other United Ways and non-United Way charities. The results of the 2001 campaign will be reported in the 2002 financial statements. Funds received from the 2001 campaign to December 31, 2001 are shown as deferred campaign revenue. Fundraising costs applicable to this campaign are deferred and included in prepaid expenses.

United Way is requested to act as a flow-through agent to receive and disburse charitable funds on behalf of certain employers and employee groups. Funds received and disbursed under these flow-through arrangements are not recorded as campaign revenue nor as distributions and expenses in these financial statements.

Designated donations and funds received under flow-through arrangements that have not been disbursed at year end are recorded as accounts payable and accrued liabilities.

Endowment contributions and capital appreciation on investments that must be added to the principal are recognized as direct increases in net assets in the year in which they are received.

Investment income on The Tomorrow Fund Endowment includes dividends, interest, realized gains (losses) and the net change in unrealized gains (losses) for the year.

Investment income on all other investments includes dividends, interest, realized gains (losses) on disposition and write-down of investments.

(b) Investments:

(i) The portion of The Tomorrow Fund Endowment invested in pooled funds with The Toronto Community Foundation is carried at market value.

(ii) All other investments are recorded at cost less write-downs, if required, for other than temporary declines in value.

(c) Capital assets:

Purchased capital assets are stated at acquisition cost. Contributed capital assets are recorded at fair market value at the date of acquisition. Amortization is provided on the following bases over the estimated useful lives of the assets as follows:

Assets	Basis	Rate
Computer equipment	Straight line	3 years
Fundraising software	Straight line	5 years
Furniture and fixtures	Declining balance	15%
Leasehold improvements	Straight line	Term of lease
Delivery van	Declining balance	25%

(d) Contributed materials and services:

Because of the difficulty in determining their fair market value, contributed materials and services are not recognized in the financial statements.

(e) Employee future benefits:

United Way has a combined defined benefit and defined contribution pension plan covering substantially all of its employees and an unregistered

NOTES TO FINANCIAL STATEMENTS

defined benefit pension plan. The benefits are based on years of service. The cost of the defined benefit and defined contribution program is being funded currently. The cost of the unregistered plan is expensed and accrued currently; it will be funded as benefits are paid.

United Way accrues its obligations under its employee pension plans as the employee renders the services necessary to earn the pension. United Way has adopted the following policies:

- (i) The cost of pensions earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages.
 - (ii) For the purpose of calculating expected return on plan assets, those assets are valued at fair value.
 - (iii) The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees, which for the pension plan is 17.2 years.
- (f) Allocation of expenses:
Expenses are distributed between allocation and needs assessment and fundraising expenses to reflect the activity performed and the related direct cost.

2. Prepaid expenses:

	2001		2000	
Prepaid fundraising expenses related to 2001 campaign	\$	8,359	\$	-
Prepaid fundraising expenses related to 2000 campaign		-		7,250
Tenant inducement annuity		451		529
Other		628		593
	\$	9,438	\$	8,372

3. Investments:

	2001		2000	
	Carrying Value	Market Value	Carrying Value	Market Value
Canadian fixed income securities	\$ 4,677	\$ 4,674	\$ 15,869	\$ 16,133
Canadian equities	4,178	4,390	3,311	4,475
Investments with The Toronto Community Foundation	26,116	26,116	9,701	9,701
	\$ 34,971	\$ 35,180	\$ 28,881	\$ 30,309

The Canadian fixed income securities produce a yield to maturity of 5.2% (2000 - 6.5%) and a weighted average term to maturity of 9.39 years (2000 - 9.33 years).

The investments with The Toronto Community Foundation are in pooled funds which have a portfolio of 38% (2000 - 42%) Canadian fixed income securities and cash, 31% (2000 - 24%) Canadian equities and 31% (2000 - 34%) U.S. and global equities.

4. Capital assets:

	2001		2000	
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 3,069	\$ 2,609	\$ 460	\$ 602
Fundraising software	1,118	335	783	833
Furniture and fixtures	640	432	208	227
Leasehold improvements	1,097	663	434	512
Delivery van	28	21	7	9
	\$ 5,952	\$ 4,060	\$ 1,892	\$ 2,183

5. Accrued pension liability:

Information about United Way's pension plans is as follows:

	2001		2000	
Accrued pension obligation:				
Balance, beginning of year	\$	4,771	\$	4,679
Current service cost		475		430
Interest cost		316		331
Benefits paid		(797)		(275)
Actuarial losses (gains)		122		(394)
Balance, end of year		4,887		4,771
Plan assets:				
Fair value, beginning of year		5,351		5,046
Annual return (loss) on plan assets		(156)		472
Employer's contributions		10		-
Employees' contributions		129		108
Benefits paid		(797)		(275)
Fair value, end of year		4,537		5,351
Funded status - surplus (deficit)		(350)		580
Unamortized net actuarial loss(gain)		83		(521)
Unamortized transitional asset		(330)		(366)
Accrued pension liability	\$	(597)	\$	(307)

The significant actuarial assumptions adopted in measuring the United Way's accrued pension obligations are as follows:

	2001	2000
Discount rate	6.5%	6.5%
Expected long-term rate of return on plan assets	6.5%	6.5%
Rate of compensation increase	3.5%	3.5%
Consumer Price Index	3.5%	3.5%

NOTES TO FINANCIAL STATEMENTS

United Way's net pension plan expense is as follows:

	2001	2000
Current service cost, net of employees' contributions	\$ 346	\$ 322
Interest cost	316	331
Expected return on plan assets	(352)	(346)
Amortization of transitional asset	(20)	(20)
Net pension plan expense	\$ 290	\$ 287

6. The Tomorrow Fund Endowment:

The Tomorrow Fund Endowment represents internally and externally restricted amounts including endowments, legacies, bequests and contributions internally restricted by the Board of Trustees.

The Tomorrow Fund Endowment consists of the following:

	2001	2000
Externally restricted	\$ 4,513	\$ 3,783
Internally restricted	23,233	9,376
	\$ 27,746	\$ 13,159

The following amounts were transferred between Unrestricted and The Tomorrow Fund Endowment:

	2001	2000
Investment income on:		
Internally restricted funds	\$ 967	\$ 1,190
Externally restricted funds	153	215
Bequests	1,167	889
Distributions	(874)	(325)
Transfer from Unrestricted to The Tomorrow Fund Endowment	\$ 1,413	\$ 1,969

In addition, upon dissolution of the Stabilization Fund, \$12.5 million was transferred from the Stabilization Fund to The Tomorrow Fund Endowment.

The following amounts have been donated to The Tomorrow Fund Endowment. These amounts are not included in revenue in the statement of operations, but have been added directly to The Tomorrow Fund Endowment assets as stated in note 1(a).

	2001	2000
Endowment contributions	\$ 674	\$ 1,494

7. Unrestricted Net Assets and Stabilization Fund:

The Stabilization Fund was an internally restricted fund established to facilitate the stability of allocations to member agencies in the event of emergencies, and to fund United Way capital expenditures and special projects as designated by the Board of Trustees. In 2000, the Board of Trustees passed a resolution to dissolve the Fund and transfer \$12.5 million to The Tomorrow Fund Endowment with the balance to be transferred to Unrestricted Net Assets. This was completed in 2001. The Board of Trustees specified that \$2 million of the transfer to Unrestricted Net Assets be used for programs to develop social services capacity in the former

suburbs of Toronto; the funds are to be used over a three-year period.

The amount transferred to Unrestricted Net Assets from the Stabilization Fund upon dissolution, is calculated as follows:

Balance, beginning of year	\$ 17,865
Investment Income	1,022
Transfer to The Tomorrow Fund Endowment	(12,500)
Transfer to Unrestricted from the Stabilization Fund	\$ 6,387

8. Funds designated by donors:

Funds designated by donors consist of the following:

	2001	2000
For partners and member agencies	\$ 1,404	\$ 1,443
For other United Ways	2,314	3,144
For non-United Way charities	6,514	4,210
	\$ 10,232	\$ 8,797

9. Commitments:

- (a) Long-term lease: United Way leases office premises and certain computer equipment under long-term operating leases expiring up to April 30, 2007. Rental payments, excluding operating costs and realty taxes, over the next five years and thereafter are as follows:

2002	\$ 822
2003	770
2004	717
2005	714
2006	725
Thereafter	242
	\$ 3,990

- (b) Multi-year funding agreements: United Way has entered into agreements with certain member agencies and partners to set their allocations over three to five-year terms. The agreements can be renewed by mutual consent.

10. Flow-through arrangements:

United Way received and distributed \$2,417 (2000 - \$2,741) under the flow-through arrangements described in note 1(a).

11. Financial assets and liabilities:

The fair value of investments is equal to the quoted market value. The fair values of other financial assets and liabilities, being cash and short-term deposits, campaign pledges receivable, other receivables, accounts payable and accrued liabilities and designated gifts payable approximate their carrying values due to the relatively short-term nature of these instruments.

Statement of Changes in Net Assets

(thousands of dollars)

Year ended December 31, 2001, with comparative figures for 2000					2001			2000
	Invested in capital assets	Restricted for The Tomorrow Fund Endowment	Internally restricted for Stabilization Fund	Unrestricted	Total			Total
Balance, beginning of year	\$ 2,183	\$ 13,159	\$ 17,865	\$ 105	\$ 33,312			\$ 27,206
Excess of revenue over distributions and expenses	(610)	1,413	1,022	1,896	3,721			4,612
Endowment contributions	-	674	-	-	674			1,494
Purchase of capital assets	319	-	-	(319)	-			-
Internally imposed restrictions (notes 6 and 7)	-	12,500	(18,887)	6,387	-			-
Balance, end of year	\$ 1,892	\$ 27,746	\$ -	\$ 8,069	\$ 37,707			\$ 33,312

See accompanying notes to financial statements.

Statement of Cash Flows

(thousands of dollars)

Year ended December 31, 2001, with comparative figures for 2000			2001			2000
Cash flows from operating activities:						
Excess of revenue over distributions and expenses			\$ 3,721			\$ 4,612
Amortization of capital assets			610			632
Amortization of lease inducement			227			227
Net pension plan expense			290			287
Net change in non-cash working capital			(952)			(1,127)
Increase (decrease) in deferred campaign revenue			2,032			(691)
Cash flows from operating activities			5,928			3,940
Cash flows from financing and investing activities:						
Purchase of capital assets			(319)			(688)
Endowment contributions received			674			1,494
Change in investments, net			(6,090)			(2,270)
Cash flows used in financing and investing activities			(5,735)			(1,464)
Increase in cash and short-term deposits			193			2,476
Cash and short-term deposits, beginning of year			20,276			17,800
Cash and short-term deposits, end of year			\$ 20,469			\$ 20,276

See accompanying notes to financial statements.

United Way of Greater Toronto Statement of Financial Position

(thousands of dollars)

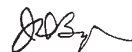
December 31, 2001, with comparative figures for 2000	2001	2000
Assets		
Current assets:		
Cash and short-term deposits	\$ 20,469	\$ 20,276
Campaign pledges receivable	5,107	5,178
Other receivables	1,582	1,187
Prepaid expenses	9,438	8,372
	36,596	35,013
Investments	34,971	28,881
Capital assets	1,892	2,183
	\$ 73,459	\$ 66,077
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,858	\$ 5,511
Designated gifts payable	1,935	1,399
Deferred campaign revenue	26,075	24,043
Deferred rent	1,287	1,505
	35,155	32,458
Accrued pension liability	597	307
Net assets:		
Invested in capital assets	1,892	2,183
Restricted for The Tomorrow Fund Endowment	27,746	13,159
Internally restricted for Stabilization Fund	-	17,865
Unrestricted	8,069	105
	37,707	33,312
	\$ 73,459	\$ 66,077

On behalf of the Board:

Trustee



Trustee



United Way of Greater Toronto Statement of Operations

(thousands of dollars)

December 31, 2001, with comparative figures for 2000	2001	2000
Fundraising revenue		
Campaign revenue	\$ 71,220	\$ 65,932
Bequests	1,167	888
	72,387	66,820
Pledge shrinkage	(1,963)	(2,396)
Total fundraising revenue	70,424	64,424
Distributions and Community Programs:		
Allocation to United Way agencies and partners	39,210	36,116
Grant programs	2,199	2,245
Programs delivered by United Way	493	478
Payment of joint Areawide campaign proceeds to partner United Ways	6,186	4,036
Funds designated by donors	10,232	8,797
	58,320	51,672
Expenses and special projects:		
Fundraising	8,614	8,408
Allocation and needs assessment	1,534	1,399
Amortization of capital assets	610	632
	10,758	10,439
Total distributions and expenses	69,078	62,111
Excess of fundraising revenue over distributions and expenses before the undernoted item	1,346	2,313
Investment income	2,375	2,299
Excess of revenue over distributions and expenses	\$ 3,721	\$ 4,612
Consists of:		
Internally restricted for The Tomorrow Fund Endowment	\$ 1,413	\$ 1,969
Excess of campaign receipts over distributions and expenses	2,003	3,939
Internally restricted for Stabilization Fund	1,022	(577)
Amortization of capital assets	(610)	(632)
Other	(107)	(87)
	\$ 3,721	\$ 4,612