

Financial Statements of United Way of Greater Toronto

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, 2006 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, 2006 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 bold, slightly slanted, sans-serif font. A horizontal line is drawn underneath the signature, extending from the left side of the "K" to the right side of the "P".

Chartered Accountants

Toronto, Canada

March 23, 2007

Statement of Financial Position

(In thousands of dollars)

December 31, 2006, with comparative figures for 2005	2006	2005
Assets		
Current assets:		
Cash and short-term deposits	\$ 41,023	\$ 34,030
Campaign pledges receivable	5,803	5,408
Other receivables	1,350	1,469
Prepaid expenses (note 4)	11,338	10,382
	59,514	51,289
Investments (note 5)	63,834	50,223
Capital assets (note 6)	1,121	1,221
	\$ 124,469	\$ 102,733
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,958	\$ 1,285
Designated and flowthrough gifts payable	3,435	4,877
Deferred campaign revenue	53,835	41,587
Deferred rent and capital contributions	686	806
	59,914	48,555
Accrued pension liability (note 7)	1,054	987
Net assets:		
Invested in capital assets (note 8)	1,057	1,029
Restricted for The Tomorrow Fund Endowment (note 9)	51,377	41,550
Unrestricted (note 10)	11,067	10,612
	63,501	53,191
Commitments (note 12)		
	\$ 124,469	\$ 102,733

See accompanying notes to financial statements.

On behalf of the Board:

Trustee

Trustee

Statement of Operations

(In thousands of dollars)

Year ended December 31, 2006, with comparative figures for 2005	2006	2005
Revenue:		
Campaign revenue	\$ 97,400	\$ 94,011
Funds received from other United Ways	508	339
Funds received for other United Ways	(4,927)	(4,069)
Bequests	3,327	2,320
Total gifts	96,308	92,601
Pledge shrinkage	(1,553)	(1,182)
Total fundraising revenue	94,755	91,419
Grants	1,906	1,419
Investment income	4,410	4,546
	6,316	5,965
Total revenue	\$ 101,071	\$ 97,384
Distributions and Community Programs:		
Allocations to United Way of Greater Toronto agencies and partners	\$ 48,808	\$ 46,371
Grant programs	6,444	4,959
Programs delivered by United Way of Greater Toronto	2,085	1,966
One-time donor specified donations to United Way of Greater Toronto programs, agency projects and grant programs	1,820	2,407
Joint Areawide campaign proceeds to partner United Ways	6,420	6,278
Donor designations to:		
United Way of Greater Toronto agencies and partners	2,070	1,716
Other United Ways	1,447	1,776
Other registered charities	12,645	11,344
Allocation and needs assessment, program expenses	2,268	2,196
Total distribution and community programs	84,007	79,013
Operating expenses:		
Fundraising	13,262	12,741
Recovery of joint Areawide campaign costs from partner United Ways	(473)	(440)
	12,789	12,301
Total distributions and expenses	\$ 96,796	\$ 91,314
Excess of revenue over distributions and expenses	\$ 4,275	\$ 6,070
Allocated to:		
Internally restricted for The Tomorrow Fund (note 9)	\$ 5,049	\$ 4,871
Unrestricted net assets (note 10)	(387)	1,612
Amortization of capital assets	(387)	(413)
	\$ 4,275	\$ 6,070

See accompanying notes to financial statements.

Statement of Changes in Net Assets

(In thousands of dollars)

Year ended December 31, 2006, with comparative figures for 2005								
2006					2005			
	Invested in capital assets (note 8)	Restricted for The Tomorrow Fund Endowment (note 9)	Unrestricted	Total	Invested in capital assets (note 8)	Restricted for The Tomorrow Fund Endowment (note 9)	Unrestricted	Total
Net assets, beginning of year:								
As previously reported	\$ 1,029	\$ 41,550	\$ 10,612	\$ 53,191	\$ 1,230	\$ 35,844	\$ 9,212	\$ 46,286
Adjustment for change in accounting policy (note 2)	–	991	1,257	2,248	–	–	–	–
As restated	1,029	42,541	11,869	55,439	1,230	35,844	9,212	46,286
Excess (deficiency) of revenue over distributions and expenses	(387)	5,049	(387)	4,275	(413)	4,871	1,612	6,070
Endowment contributions	–	3,787	–	3,787	–	835	–	835
Invested in capital assets	415	–	(415)	–	212	–	(212)	–
Net assets, end of year	\$ 1,057	\$ 51,377	\$ 11,067	\$ 63,501	\$ 1,029	\$ 41,550	\$ 10,612	\$ 53,191

See accompanying notes to financial statements.

Statement of Cash Flows

(In thousands of dollars)

Year ended December 31, 2006, with comparative figures for 2005	2006	2005
Cash flows from operating activities:		
Excess of revenue over distributions and expenses	\$ 4,275	\$ 6,070
Items not involving cash:		
Amortization of capital assets	515	541
Amortization of lease inducement	164	231
Amortization of deferred capital contributions	(128)	(128)
Disposal of capital assets	–	108
Adjustment for change in accounting policy	2,248	–
Defined benefit pension expense	548	439
Change in non-cash operating working capital	10,091	(2,347)
Defined benefit pension contributions	(481)	(444)
Cash flows from operating activities	17,232	4,470
Cash flows from financing and investing activities:		
Purchase of capital assets	(415)	(320)
Endowment contributions received	3,787	835
Increase in investments, net	(13,611)	(5,136)
Cash flows used in financing and investing activities	(10,239)	(4,621)
Increase (decrease) in cash and short-term deposits	6,993	(151)
Cash and short-term deposits, beginning of year	34,030	34,181
Cash and short-term deposits, end of year	\$ 41,023	\$ 34,030

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended December 31, 2006.

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 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 revenue reported in these financial statements represent amounts received or receivable in connection with the 2005 campaign and the related distributions made from the proceeds of that campaign in 2006. 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 2006 campaign will be reported in the 2007 financial statements. Funds received from the 2006 campaign to December 31, 2006 are shown as deferred campaign revenue. Fundraising costs applicable to this campaign are deferred and included in prepaid expenses.

United Way is requested by certain employers and employee groups, to act as the coordinator of their national campaigns, to receive and disburse funds on behalf of other United Ways within their local communities. Funds received under these centrally coordinated campaigns are included in the Campaign Revenue amount on the statement of operations. Funds disbursed on behalf of other United Ways, under centralized campaigns are reported as a reduction to revenue in these financial statements. Funds received by United Way from other United Ways under similar campaigns are reported separately in the revenue section of these financial statements.

Designated donations and funds received under flowthrough arrangements for other charities that have not been disbursed at year-end are recorded as designated and flowthrough gifts payable.

Grant revenue reported in these financial statements represents funds received from a number of foundations and federal and municipal governments, for programs administered by United Way to address homelessness, organizational development and evaluation. The related program expenses and grant disbursements are included in the distributions and community programs section of the financial statements.

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.

Contributions for capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital asset.

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

(b) Investments:

Effective January 1, 2006, investments are classified as held for trading and stated at fair value (note 2).

In determining fair values, adjustments have not been made for transaction costs as they are not considered significant. The unrealized gain or loss on investments, being the difference between book value and fair value, is included in investment income in the statement of operations.

Fair values of investments are determined as follows:

- (i) Fixed income securities and equities are valued at year-end quoted market prices, where available. Where quoted market prices are not available, estimated fair values are calculated using comparable securities.
- (ii) Short-term notes, treasury bills and term deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

(c) Capital assets:

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

ASSET	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) Volunteer services:

United Way benefits from substantial services in the form of volunteer time. Since these invaluable donated services are not purchased by United Way, they are not recorded in these financial statements.

(e) Employee future benefits:

United Way has a combined registered defined benefit and defined contribution pension plan covering substantially all of its employees and an unregistered defined benefit pension plan. The benefits are based

Notes to Financial Statements *continued*

on years of service. The cost of the defined benefit and defined contribution program is currently being funded. The unregistered plan is unfunded; the cost is expensed and accrued annually.

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. The most recent actuarial valuation of the pension plan for funding purposes was as of December 31, 2005. The date of the next required valuation is December 31, 2008.
- (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 17.7 years.
- (iv) The unamortized transitional asset is amortized over 17.7 years.
- (f) Calculation of cost revenue ratios:

United Way uses the following method to calculate cost revenue ratios:

	2006	2005
Total gifts	\$ 96,308	\$ 92,601
Breakdown of fundraising expenses on statement of operations:		
Direct fundraising expenses	\$ 10,703	\$ 10,371
General management and administrative expenses	2,559	2,370
Total fundraising expenses	\$ 13,262	\$ 12,741
Direct fundraising expenses as a percentage of total gifts	11.1%	11.2%
General management and administrative expenses as a percentage of total gifts	2.7%	2.6%
Total fundraising expenses as a percentage of total gifts	13.8%	13.8%

- (g) Allocation of expenses:

General management and administrative expenses are allocated between fundraising expenses and allocations and needs assessment based on effort.

General management and administrative expenses are allocated as follows:

	2006	2005
Fundraising	84.9%	84.5%
Allocations and needs assessment	15.1%	15.5%

- (h) Use of estimates:

The preparation of financial statements 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. Actual results could differ from those estimates.

2. Change in accounting policy:

Effective January 1, 2006, United Way adopted The Canadian Institute of Chartered Accountants' Handbook Section 3855, Financial Instruments - Recognition and Measurement. United Way has designated all of its investments as held for trading, and carries them at fair value. The adoption of this accounting policy resulted in an increase to The Tomorrow Fund of \$991 and unrestricted net assets of \$1,257 at January 1, 2006, in tandem with an increase in investments of \$2,248.

The adoption of this accounting policy resulted in an unrealized gain of \$359 being recorded in the statement of operations in 2006.

3. Youth Challenge Fund ("YCF"):

The Province of Ontario (the "Province") established the YCF in 2006 and appointed United Way as the trustee. The Province advanced United Way the sum of \$15,000 and set up an independent board to oversee the operation of the program over the next three years. As the trustee, United Way is responsible for the operation of the program and financial stewardship of the funds on behalf of the Province. At December 31, 2006, United Way holds \$14,649 in trust for YCF.

The financial activities of the YCF are not reported on these financial statements. A separate set of audited financial statements for YCF are produced.

4. Prepaid expenses:

	2006	2005
Prepaid fundraising expenses related to 2006 campaign	\$ 11,141	\$ -
Prepaid fundraising expenses related to 2005 campaign	-	10,106
Tenant inducement annuity	-	123
Other	197	153
	\$ 11,338	\$ 10,382

Notes to Financial Statements *continued*

5. Investments:

	2006		2005	
	Book value	Market value	Book value	Market value
Canadian fixed income securities	\$ 11,770	\$ 11,866	\$ 6,477	\$ 7,589
Canadian equities	4,865	6,385	4,533	5,669
Investments with the Toronto Community Foundation:				
Canadian fixed income securities and cash	18,186	18,186	14,914	14,914
Canadian equities	13,045	13,045	15,408	15,408
U.S. and global equities	14,352	14,352	8,891	8,891
	45,583	45,583	39,213	39,213
	\$ 62,218	\$ 63,834	\$ 50,223	\$ 52,471

The Canadian fixed income securities produce a yield to maturity of 4.4% (2005 - 4.3%) and have a weighted average term to maturity of 10.01 years (2005 - 9.72 years).

Investments held for The Tomorrow Fund total \$51,377 (2005 - \$41,550) (note 9).

6. Capital assets:

	2006		2005	
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 2,531	\$ 2,169	\$ 362	\$ 350
Fundraising software	1,246	1,145	101	236
Furniture and fixtures	874	591	283	237
Leasehold improvements	1,253	895	358	377
Delivery van	36	19	17	21
	\$ 5,940	\$ 4,819	\$ 1,121	\$ 1,221

7. Accrued pension liability:

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

	2006	2005
Accrued pension obligation:		
Balance, beginning of year	\$ 5,990	\$ 4,793
Current service cost	475	377
Interest cost	333	302
Benefits paid	(542)	(266)
Past service cost	186	–
Actuarial losses	226	784
Balance, end of year	6,668	5,990
Plan assets:		
Fair value, beginning of year	4,292	3,752
Annual return on plan assets, net of administrative expense	491	362
Employer contributions	481	444
Benefits paid	(542)	(266)
Fair value, end of year	4,722	4,292
Funded status - deficit	(1,946)	(1,698)
Unamortized net actuarial loss	939	964
Unamortized past service cost	186	–
Unamortized transitional asset	(233)	(253)
Accrued pension liability	\$ (1,054)	\$ (987)

United Way's funded deficit amounted to \$947 (2005 - \$962) for its registered defined benefit plan and \$999 (2005 - \$736) for its unregistered defined benefit pension plan.

The accrued pension liability amounted to \$538 (2005 - \$521) for the registered plan and \$516 (2005 - \$466) for the unregistered defined benefit plan.

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

	2006	2005
Accrued benefit obligation:		
Discount rate	5.25%	5.25%
Rate of compensation increase	4.50%	3.50%
Benefit costs:		
Discount rate	5.25%	5.25%
Expected long-term rate of return on plan assets	6.00%	6.00%
Rate of compensation increase	4.50%	3.50%

Notes to Financial Statements *continued*

Plan assets consist of:

	2006	2005
Equity securities	59%	60%
Debt securities	39%	38%
Other	2%	2%
	100%	100%

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

	2006	2005
Current service cost, net of employees' contributions	\$ 474	\$ 377
Interest cost	333	302
Expected return on plan assets	(264)	(229)
Amortization of transitional obligation	(19)	(19)
Amortization of unrecognized net actuarial loss	24	8
Net pension plan expense	\$ 548	\$ 439

United Way contributed \$105 (2005 - \$93) to its defined contribution plan.

8. Invested in capital assets:

Invested in capital assets is comprised of the following:

	2006	2005
Capital assets	\$ 1,121	\$ 1,221
Deferred capital contributions	(64)	(192)
	\$ 1,057	\$ 1,029

The change in invested in capital assets is calculated as follows:

	2006	2005
Excess of revenue over distributions and expenses:		
Amortization of capital assets	\$ (515)	\$ (541)
Amortization of deferred capital contributions	128	128
	(387)	(413)
Net change in invested in capital assets:		
Purchase of capital assets	415	320
Disposal of capital assets	-	(108)
	415	212
	\$ 28	\$ (201)

9. The Tomorrow Fund Endowment:

The Tomorrow Fund Endowment represents internally and externally restricted amounts. Externally restricted amounts refer to those gifts which have been specifically directed to The Tomorrow Fund by the donor. Internally restricted amounts are those which were given by donors to United Way without such a direction, and have been transferred to The Tomorrow Fund by the Board.

The Tomorrow Fund Endowment consists of the following:

	2006	2005
Externally restricted	\$ 14,831	\$ 10,053
Internally restricted	36,546	31,497
	\$ 51,377	\$ 41,550

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

	2006	2005
Investment income on:		
Internally restricted funds	\$ 2,554	\$ 3,169
Externally restricted funds	945	863
Bequests	3,327	2,320
Distributions	(1,777)	(1,481)
Transfer from Unrestricted to The Tomorrow Fund Endowment	\$ 5,049	\$ 4,871

Endowment contributions of \$3,663 (2005 - \$711) and capital appreciation on investments that must be added to the principal of \$124 (2005 - \$124) have been added 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).

10. Unrestricted net assets:

Unrestricted net assets, which are comparable to the retained earnings of a for-profit organization, are available to sustain operations and funding to member agencies in the event of unforeseen conditions, such as a significant shortfall in fundraising efforts. The Board of Trustees also has the authority to make the internally restricted portion of The Tomorrow Fund available, should the circumstances warrant. The Board has balanced this need for stability of operations and agency funding with a desire to maximize current funding to the community; as a result, the Board has directed that the balance in unrestricted net assets be reduced to a target of \$3,000 to \$5,000 over the next two years through specific community programs, totalling approximately \$6,277.