

United Way of Calgary and Area

Financial Statements
December 31, 2022



Independent auditor's report

To the Members of United Way of Calgary and Area

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of United Way of Calgary and Area (the Organization) as at December 31, 2022 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Organization's financial statements comprise:

- the statement of financial position as at December 31, 2022;
- the statement of operations for the year then ended;
- the statement of changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

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

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

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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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's 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 auditor's 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 these 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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Organization 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.

We 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants



Calgary, Alberta
April 6, 2023

United Way of Calgary and Area
Statement of Financial Position
As at December 31, 2022

(in thousands of dollars)

	2022		2021
	General Fund \$	Tomorrow Fund \$	Total \$
Assets			
Current assets			
Cash and cash equivalents	27,346	-	27,346
Interfund (payable) receivable	(3,560)	3,560	-
Accounts receivable and other assets (note 3)	1,649	-	1,649
Government remittances recoverable	142	-	142
Trust assets (note 7)	527	-	527
	26,104	3,560	29,664
Investments (note 5)	17,345	38,391	55,736
Tangible capital assets (note 6)	1,287	-	1,287
	44,736	41,951	86,687
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	645	-	645
Trust obligations (note 7)	527	-	527
Current portion of deferred contributions (note 8)	11,186	-	11,186
	12,358	-	12,358
Deferred contributions (note 8)	3,884	4,772	8,656
	16,242	4,772	21,014
Fund Balances			
Sustainability reserve (note 9(a))	6,232	-	6,232
Internally restricted (note 9(a) and (b))	22,262	18,379	40,641
Endowments (note 9(b))	-	18,800	18,800
	28,494	37,179	65,673
	44,736	41,951	86,687
Commitments (note 10)			

Approved by the Board of Directors

 Director  Director

The accompanying notes are an integral part of these financial statements.

United Way of Calgary and Area
Statement of Operations
For the year ended December 31, 2022

(in thousands of dollars)

	2022		2021
	General Fund \$	Tomorrow Fund \$	Total \$
Revenue			
Unrestricted campaign (note 4)	30,891	5,188	36,079
Donor designated funds to United Way initiatives	8,785	-	8,785
Donor designated funds to registered charities	6,819	-	6,819
Funds designated by donors and government assistance to registered charities in support of COVID-19	365	-	365
COVID-19 government subsidies	-	-	-
Tomorrow Fund distribution to General Fund (note 9(b))	3,442	(3,442)	-
Investment income	887	1,081	1,968
Sponsorship and other revenue	234	-	234
	51,423	2,827	54,250
Expenses			
Fundraising (note 15)	7,128	-	7,128
Net revenue available for community investments, services and programs	44,295	2,827	47,122
Community investments, services and programs			
Community investment to member agencies and partners	17,538	-	17,538
Community investments to special initiatives in collaboration with partners	9,150	-	9,150
Donor designated funds to registered charities	6,819	146	6,965
Community services and programs support (note 14)	10,284	-	10,284
Total community investments, services and programs	43,791	146	43,937
Excess of revenue over expenses before other items	504	2,681	3,185
Unrealized (losses) gains on investments (note 9(b))	-	(8,874)	(8,874)
Realized gains on investments (note 9(b))	-	499	499
(Deficiency) excess of revenue over expenses	504	(5,694)	(5,190)

The accompanying notes are an integral part of these financial statements.

United Way of Calgary and Area
Statement of Changes in Fund Balances
For the year ended December 31, 2022

(in thousands of dollars)

					2022	2021
	Designated for community use \$	Sustainability reserve \$	Total General Fund \$	Total Tomorrow Fund \$	Total \$	Total \$
Fund balance – Beginning of year	21,768	6,222	27,990	42,784	70,774	64,823
(Deficiency) excess of revenue over expenses	-	504	504	(5,694)	(5,190)	6,171
Endowments contributions received (transferred) (note 9(b))	-	-	-	89	89	(220)
Designated in the year for community use	22,093	(22,093)	-	-	-	-
Community investments made in the year	(21,599)	21,599	-	-	-	-
Fund balance – End of year	22,262	6,232	28,494	37,179	65,673	70,774

The accompanying notes are an integral part of these financial statements.

United Way of Calgary and Area
Statement of Cash Flows
For the year ended December 31, 2022

(in thousands of dollars)

	2022	2021
	\$	\$
Cash provided by (used in)		
Operating activities		
(Deficiency) excess of revenue over expenses	(5,190)	6,171
Items not affecting cash and cash equivalents		
Amortization of tangible capital assets	412	403
Unrealized losses (gains) on investments	8,874	(1,873)
Realized gains on investments	(499)	(936)
	<u>3,597</u>	<u>3,765</u>
Changes in non-cash operating working capital (note 11)	3,984	1,493
	<u>7,581</u>	<u>5,258</u>
Financing activities		
Contributions received (transferred) for endowment purposes	89	(220)
Investing activities		
Tomorrow Fund (investment) income redeemed	(457)	1,591
Net purchases of long-term investments	(672)	(954)
Acquisition of tangible capital assets	(693)	(267)
	<u>(1,822)</u>	<u>370</u>
Increase in cash and cash equivalents during the year	5,848	5,408
Cash and cash equivalents – Beginning of year	21,498	16,090
Cash and cash equivalents– End of year	<u>27,346</u>	<u>21,498</u>

The accompanying notes are an integral part of these financial statements.

United Way of Calgary and Area

Notes to Financial Statements

December 31, 2022

(in thousands of dollars)

1 Nature of operations

The mission of the United Way of Calgary and Area (the "Organization") is to mobilize communities for lasting social change. The Organization is a registered charitable public foundation incorporated under the Societies Act of the Province of Alberta.

As a registered charitable foundation under subsection 149(1) of the Income Tax Act (Canada), the Organization is exempt from income taxes and is able to issue donation receipts for income tax purposes.

2 Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant policies:

a) Funds

The Organization applies the deferral method of accounting and has elected to further reflect details of its operations through both its General Fund and its Tomorrow Fund. Each of these is described in detail below.

General Fund

The General Fund reports revenues and expenses related to program delivery, fundraising and operational support activities of the Organization.

Within the General Fund, the Organization undertakes certain initiatives for which designated donor funds are received as well as using internally restricted funds to cover a portion of the related project expenditures.

The Organization also receives and distributes funds designated by donors for payment to specified registered charities.

Tomorrow Fund

The Tomorrow Fund was established to support the Organization's long-term objectives.

The Tomorrow Fund is structured to accept and hold endowment and non-endowment contributions comprising donor advised contributions and internally restricted funds.

The Board of Directors (the "Board") has approved the investment of funds from the General Fund alongside pooled fund investments of the Tomorrow Fund in accordance with defined criteria as determined by the Board. Funds are distributed as described below.

United Way of Calgary and Area

Notes to Financial Statements

December 31, 2022

(in thousands of dollars)

Endowment contributions

Endowment contributions consist of amounts designated by donors for endowment purposes. Endowment contributions include the following:

- **Unrestricted endowments**

Unrestricted endowments have no restriction as to purpose and the Organization may apply funds available for use as it considers appropriate. Up to 4% of the market value of invested assets of unrestricted endowments as at the end of the prior financial year will be distributed to the General Fund to support the Organization's work in three focus areas: Poverty, Kids and Community. Additional amounts may be used to offset the Organization's costs as the Board directs (note 9(b)).

- **Specific purpose endowments**

Specific purpose endowments restrict the application of funds available for use to defined, unchanging purposes. Up to 4% of the market value of invested assets of specific purpose endowments as at the end of the prior financial year will be distributed to the General Fund in accordance with the specific requirements attached to such endowments (note 9(b)).

- **Donor advised endowments**

Donor advised endowments provide for the application of funds available for use to be decided with advice of the donor. Up to 4% of the market value of invested assets of donor advised endowments as at the end of the prior financial year will be made available to the donor each year for distribution to the General Fund or to other charities of their choice (note 9(b)). To the extent that such distribution is not made, the unused portion of the available distribution each year is kept within investments.

Non-endowment internally restricted contributions

Non-endowment internally restricted contributions consist of amounts that are internally restricted as to purpose by the Board and specific purpose contributions. Non-endowment contributions include the following:

- **Internally restricted at the Board's discretion**

The Board retains the right, in its discretion, to direct the use of these internally restricted gifts and to subsequently remove or vary such internal restrictions. These funds include: the earnings above 4% of the General Fund investments, legacy bequests, life insurance proceeds, plus annual gifts to the Tomorrow Fund and any other testamentary gifts that are not endowed or otherwise restricted by the donor but which are held as internally restricted funds of the Tomorrow Fund (note 9(b)). The amount received as bequests in 2022 was \$5,188 (2021 – \$341).

United Way of Calgary and Area

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(in thousands of dollars)

- **Internally restricted specific purpose**

These funds have been restricted by the Board to match contributions of specific purpose endowments. Distributions of internally restricted amounts are applied to support the same purposes as the specific purpose endowments to which they relate.

Up to 4% of the market value of invested assets of internally restricted funds as at the end of the prior financial year will be distributed to the General Fund to support the Organization's work in Poverty, Kids and Community, with additional amounts used to offset the Organization's costs as the Board directs.

These internally restricted funds are also available to ensure the principal of General Fund investments in the Tomorrow Fund may be made whole in the event that the principal declines as a result of market conditions.

Non-endowment donor advised contributions

These are contributions that are designated by donor agreements for specified longer term projects and are included in deferred contributions within the Tomorrow Fund (note 8). Distributions are made on the advice of the donors.

b) Revenue recognition

The Organization's financial statements are prepared using the deferral method of accounting for contributions.

Unrestricted campaign

An annual campaign is conducted to raise support for projects and services to be provided in the following year by funded agencies, organizations addressing new and emerging needs, and other registered Canadian charities. Unrestricted campaign revenue comprises unrestricted contributions and contributions to the Organization's three focus areas: Poverty, Kids and Community. Contributions are recognized as revenue in the period in which the funds are received.

Contributions of shares of publicly traded companies are recorded at the closing market price of the shares on the day they are effectively received by the Organization, or, in the case of thinly traded and other shares whose liquidation is restricted in any form, at a value discounted from the closing price as considered appropriate. The determined value of the shares is included in unrestricted campaign revenue.

Stock options donated to the Organization are recorded at \$nil unless information is available to support a reasonable fair market valuation. If there is a determined value, this amount is included in unrestricted campaign revenue.

United Way of Calgary and Area

Notes to Financial Statements

December 31, 2022

(in thousands of dollars)

Donor designated funds

All contributions that are designated by donors for United Way initiatives or for other registered charities, including the COVID-19 funds, are initially deferred, then recognized as revenue of the General Fund or Tomorrow Fund, as applicable, in the year in which the related expenses (payments) are incurred.

Where earnings and growth are attributable to any donor designated funds, they are treated as direct increases of the deferred contribution. Together with the principal contributed, they are recognized as revenue in the year in which the related expenses are incurred.

Contributions of shares of publicly traded companies that are designated by donors are valued, as described under Unrestricted Campaign Revenue, and initially deferred. Revenue is recognized when proceeds are disbursed.

COVID-19 government subsidies

Government subsidies are recorded as revenue within COVID-19 government subsidies in the General Fund when received or receivable.

Designated contributions for tangible capital assets

Contributions that are designated by donors for tangible capital assets are initially deferred and then amortized over the same period as the corresponding asset.

Bequests and legacy gifts

Annual gifts to the Tomorrow Fund, bequests, life insurance proceeds and any other testamentary gifts that are not endowment gifts or otherwise restricted by the donor are recognized as revenue of the Tomorrow Fund as received.

Endowment contributions

Contributions of perpetual endowments to the Tomorrow Fund are recognized as direct increases in endowment fund balances.

Investment income and costs

Interest and dividend income and gains and losses on short-term investments are recognized in investment income in the applicable fund in the period in which they are realized.

Interest and dividend income earned on long-term investments, minus the manager's fees, are recognized in investment income in the applicable fund in the period in which they are realized. Unrealized and realized gains and losses on long-term investments are recognized through the statement of operations in the applicable fund.

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(in thousands of dollars)

Sponsorship and other revenue

Sponsorship and other revenue are recognized in the year funds are received to support special events as well as the operating activity of the Organization.

c) Donated goods and services

Goods and services contributed to the Organization to be consumed in operations are not recorded as revenue due to difficulties in determining fair value of such goods and services.

d) Tangible capital assets

Purchased tangible capital assets with a value exceeding \$1,000 are capitalized and recorded at cost. Purchased tangible capital assets with a value of less than \$1,000 are charged as an expense to the General Fund as incurred. Contributed tangible capital assets are recorded at fair value at the date of the contribution if their value exceeds \$1,000.

Tangible capital assets are tested for impairment when conditions indicate that a tangible capital asset no longer contributes to the Organization's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the tangible capital asset is less than its net carrying amount. When conditions indicate that a tangible capital asset is impaired, the net carrying amount of the tangible capital asset is written down to the asset's fair value or replacement cost. The writedowns of tangible capital assets are recognized as expenses in the statement of operations. Writedowns are not subsequently reversed.

Amortization of tangible capital assets is provided on a straight-line basis over the estimated useful lives of the assets, as follows:

Computer software	3 years
Computer equipment	5 years
Furniture and fixtures	5 years
Telephone equipment	5 years
Building improvements	5 years

e) Allocation of expenses

The Organization allocates operational expenses between fundraising expenses and community investments, services and programs expenses based on headcount-driven allocation between the fundraising team and the community investments, services and programs team.

United Way of Calgary and Area

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(in thousands of dollars)

f) Financial instruments

A financial asset or a financial liability is initially recognized when the Organization becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished. Financial instruments assumed in an arm's length transaction are recorded at fair value on initial recognition. Equity instruments and other financial instruments that are quoted in an active market are subsequently recorded at fair value. All other financial instruments are recorded at cost or amortized cost, unless management has elected to record at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Financial assets originated or acquired, and financial liabilities issued or assumed in a related party transaction are initially measured at cost. For financial instruments with repayments terms, cost is determined as the sum of undiscounted cash flows less any impairment losses previously recognized by the transferor. For financial instruments with no repayment terms, cost is determined by reference to the consideration transferred or received by the Organization in the transaction.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. For all other financial instruments, the transaction costs are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method.

With respect to financial assets measured at cost or amortized cost, the Organization recognizes an impairment loss, if any, in the statement of operations when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in the statement of operations in the period the reversal occurs.

g) Foreign currency translation

Investments denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect on the date of the statement of financial position. Investment income from these securities is translated at the exchange rate in effect when realized.

h) Cash and cash equivalents

Cash and cash equivalents include the amounts held in bank deposits and current accounts maintained by the Organization. Any amounts included as cash equivalents have a maturity of 90 days or less from inception.

i) Investments

Investments include cash, bonds, pooled equities, and the cash surrender value of a life insurance policy and are recorded at fair value in accordance with the Organization's investment policies.

United Way of Calgary and Area

Notes to Financial Statements

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(in thousands of dollars)

Short-term investments are financial assets owned by the Organization and are expected to be converted into cash within one year.

j) Use of accounting estimates

The preparation of financial statements in conformity with ASPNO 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 reporting period.

Specific items subject to estimation include amortization and potential impairment of tangible capital assets, the current portion of deferred contributions, accrued liabilities and the allocation of operational support costs.

These estimates are subject to measurement uncertainty and the effects of changes in these estimates in future periods could be significant.

k) Comparative figures

Certain of the prior year figures have been reclassified where necessary to conform to the current year's presentation.

3 Accounts receivable and other assets

	2022 \$	2021 \$
Cash revenue in transit at the end of the year	1,629	1,263
Prepaid expenses and other assets	20	434
	<u>1,649</u>	<u>1,697</u>

4 Unrestricted campaign revenue

	2022 \$	2021 \$
Tomorrow Fund		
Annual unrestricted campaign	<u>5,188</u>	<u>500</u>
General Fund		
Annual unrestricted campaign	30,827	32,376
Funds transferred from other United Ways	883	2,064
Funds transferred to other United Ways	<u>(819)</u>	<u>(1,651)</u>
	<u>30,891</u>	<u>32,789</u>
	<u>36,079</u>	<u>33,289</u>

United Way of Calgary and Area
Notes to Financial Statements
December 31, 2022

(in thousands of dollars)

5 Investments

	2022	2021
	\$	\$
Tomorrow Fund		
Investments in externally managed funds	38,260	46,194
Life insurance – cash surrender value	131	115
	<u>38,391</u>	<u>46,309</u>
General Fund		
Balanced fund investment	17,004	16,341
Other	341	332
	<u>17,345</u>	<u>16,673</u>
	<u>55,736</u>	<u>62,982</u>

Externally managed funds portfolio weighting in Tomorrow Fund

	2022	2021
	%	%
Pooled bonds and cash	38.9	36.2
Equities		
Canadian	19.3	18.4
United States	18.0	19.0
Other foreign	23.8	26.4
	<u>100.0</u>	<u>100.0</u>

6 Tangible capital assets

	2022		
	Cost or donated value \$	Accumulated amortization \$	Net \$
Computer software	9,428	8,961	467
Computer equipment	2,195	1,933	262
Furniture and fixtures	500	491	9
Telephone equipment	386	385	1
Building improvements	922	374	548
	<u>13,431</u>	<u>12,144</u>	<u>1,287</u>

United Way of Calgary and Area

Notes to Financial Statements

December 31, 2022

(in thousands of dollars)

	2021		
	Cost or donated value \$	Accumulated amortization \$	Net \$
Computer software	8,976	8,688	288
Computer equipment	1,955	1,841	114
Furniture and fixtures	500	487	13
Telephone equipment	386	385	1
Building improvements	921	331	590
	12,738	11,732	1,006

During the year, the Organization incurred \$412 (2021 – \$403) of amortization expense.

7 Trust assets and trust obligations

The Organization coordinates the national campaign for certain corporate donors, including the processing, collection and subsequent distribution of donations to other United Way offices. This activity requires that the Organization hold certain assets in trust for other United Way offices.

8 Deferred contributions

Deferred contributions to United Way initiatives represent the unspent portions of donor designated funds to be used to fund initiatives undertaken by the Organization.

Deferred contributions to registered charities in support of COVID-19 represent the undistributed portion of funds to be paid to registered charities defined by COVID-19 funding agreements.

Deferred contributions to registered charities represent the undistributed portion of donor designated funds to be paid to registered charities defined by the donor.

Deferred contributions related to future years campaigns reflect the value of donations received by the Organization that are restricted by the donor for campaigns of future years.

Deferred contributions include the unspent portion of corporate sponsorship received to cover operating expenses.

Deferred contributions of the Tomorrow Fund are non-endowment donor advised contributions. These are held in accordance with donor agreements for specified longer term projects.

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(in thousands of dollars)

Changes in deferred contributions are as follows:

General Fund

	2022 Opening balance \$	Deferred contributions received in year \$	Deferred contributions used in year \$	2022 Ending balance \$
Donor designated to United Way initiatives	7,356	14,391	(8,917)	12,830
Funds designated to registered charities in support of COVID-19	2	237	(234)	5
Donor designated to registered charities	2,423	5,969	(6,362)	2,030
Donor designated to future years campaigns	24	-	(24)	-
Sponsorship	134	100	(29)	205
	<u>9,939</u>	<u>20,697</u>	<u>(15,566)</u>	<u>15,070</u>
Less: Current portion	<u>9,220</u>	<u>-</u>	<u>-</u>	<u>11,186</u>
	<u>719</u>	<u>20,697</u>	<u>(15,566)</u>	<u>3,884</u>

Tomorrow Fund

	2022 Opening balance \$	Deferred contributions received in year \$	Loss \$	Deferred contributions used in year \$	2022 Ending balance \$
Non-endowed – donor advised	<u>5,544</u>	<u>414</u>	<u>(632)</u>	<u>(554)</u>	<u>4,772</u>

9 Fund balances

a) General Fund

- Sustainability reserve

The Board has determined that the Organization needs to retain a level of uncommitted funds to support the Organization in periods of financial uncertainty. The Board established the following criteria to guide the retention of funds to be held available for the sustainability of the Organization as required:

- 4 months (2021 – 4 months) of operating budget
- 6 months (2021 – 6 months) of normal amortization

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(in thousands of dollars)

- \$1,000 (2021 – \$1,000) disaster response reserve
- \$540 (2021 – \$580), being the unamortized portion of the transfer for building improvements from the Tomorrow Fund
- Designated for community use (internally restricted)

The Organization's community investment program is planned around a combination of one to five-year commitments and accommodates years where weak economic conditions might require their use. Any funds beyond those held available under the sustainability reserve are considered to be available for community use. In years where a significant operating surplus or deficit results, the funds designated for community use can change materially.

b) Tomorrow Fund

	2022 Opening balance \$	Contributions received \$	Total \$	Investment income \$	Unrealized losses \$	Realized gains \$	Distributions \$	2022 Ending balance \$
Non-endowed – internally restricted								
Board discretion	16,971	5,188	22,159	389	(5,028)	283	(1,455)	16,348
Specific purpose	2,563	-	2,563	68	(379)	21	(242)	2,031
	<u>19,534</u>	<u>5,188</u>	<u>24,722</u>	<u>457</u>	<u>(5,407)</u>	<u>304</u>	<u>(1,697)</u>	<u>18,379</u>
Endowments								
Unrestricted								
endowments	13,345	59	13,404	353	(1,969)	111	(1,259)	10,640
Donor advised	4,748	30	4,778	135	(737)	41	(146)	4,071
Specific purpose	5,157	-	5,157	136	(761)	43	(486)	4,089
	<u>23,250</u>	<u>89</u>	<u>23,339</u>	<u>624</u>	<u>(3,467)</u>	<u>195</u>	<u>(1,891)</u>	<u>18,800</u>
	<u>42,784</u>	<u>5,277</u>	<u>48,061</u>	<u>1,081</u>	<u>(8,874)</u>	<u>499</u>	<u>(3,588)</u>	<u>37,179</u>

In 2022, distributions of \$3,588 (2021 – \$4,032) include: \$146 (2021 – \$152) paid to registered charities under the advice of donors, support of investments in the community of \$2,797 (2021 – \$3,187), support of the Organization's operating cost of \$305 (2021 – \$300), and support of the Organization's strategic or special initiatives of \$340 (2021 – \$393).

10 Commitments

The Board approves the annual plan to apply funds to the Organization's community investment program. While approved in principle, the Board reserves the right to modify any such plan should economic or other circumstances require such revision.

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(in thousands of dollars)

Commitments under this program are included as funds designated for community use. As at December 31, 2022, these commitments are as follows:

	\$
2023	13,191
2024	2,199
2025	1,290

The current lease was entered into on June 1, 2016 for a term of 20 years. The Organization has no material exposure to any environmental or other remediation in terms of any former leases.

Lease payments required over the next five years and thereafter are as follows:

	Office premises \$	Office equipment \$	Total \$
2023	750	59	809
2024	765	59	824
2025	780	24	804
2026	795	-	795
2027	811	-	811
Thereafter	7,518	-	7,518
	<u>11,419</u>	<u>142</u>	<u>11,561</u>

11 Changes in non-cash operating working capital

	2022 \$	2021 \$
Accounts receivable and other assets	48	(237)
Government remittances recoverable	(70)	(5)
Long-term prepaid expenses	-	400
Accounts payable and accrued liabilities	(353)	57
Deferred contributions	4,359	1,278
	<u>3,984</u>	<u>1,493</u>

12 Management of capital

The Organization defines its capital as the amounts included in its fund balances.

The Organization sets the amount of fund balances in proportion to risk, manages the fund structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Organization's objective when managing capital is to safeguard its ability to sustain itself as a going concern so that it can continue to provide the appropriate level of benefits and services to its beneficiaries and stakeholders.

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The Organization's capital includes funds that are restricted either by donors or by the Board.

The Organization has internal control processes to ensure that any restrictions are met prior to the utilization of these resources, and the Organization has been in compliance with these restrictions throughout the year.

Management and the Board carefully consider fundraising campaigns, donor contributions designated to United Way initiatives, sponsorship and investment income to ensure that sufficient funds will be available to meet the Organization's short-term and long-term objectives.

The Organization monitors its financial performance against an annual budget that is approved by the Board. Surpluses from unspent operational activities are accumulated under the sustainability reserve or those internally designated for community use. In the event that revenues decline, the Organization will budget for reduced distributions and reduced operational expenditures. The Board has the right to determine how the Organization's funds that are under its discretion may be used to offset any deficits.

13 Financial risk management

The Organization's financial risks are as follows:

Market risk

The Tomorrow Fund's assets include both equity and fixed income securities. These assets are invested in diversified pooled funds managed professionally by a fund manager appointed by the Board. The fund manager is governed by an investment policy of the Board, which places certain parameters on investments. The performance of the fund manager is routinely assessed by the Finance Audit Technology Committee of the Board. The Finance Audit Technology Committee has authority to make certain changes to asset mix to ensure that the investments are as secure as possible. The market value of these investments changes in concert with the business, financial condition, management and other relevant factors affecting the underlying organization that issued the securities. In addition, general economic conditions of the markets in which such organizations operate change, thereby exposing the Organization to fluctuations in the value of investments.

Liquidity risk

Liquidity risk is the risk the Organization will encounter difficulties in meeting its financial obligations. The Organization manages its liquidity risk by monitoring its operating requirements and cash and liquidity management. The Organization prepares budgets and cash flow projections to ensure it has sufficient funds to fulfill its obligations.

Investments in the Tomorrow Fund are primarily intended to be held for the long term with much of its principal held in perpetuity. The Tomorrow Fund investment portfolio has considerable funds in cash (note 5), which may be accessed if needed in the short term. In the event that funds are required to be drawn from internally restricted funds of the Tomorrow Fund, arrangements can be made with the investment manager to have funds made available on short notice.

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Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Fixed interest rate investments are subject to fair value risks. The Organization is exposed to this risk in relation to fixed income securities. The Organization manages this risk through its investment policies and the use of a professional investment advisor.

Foreign exchange risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Because a portion of the Organization's investment portfolio is denominated in foreign currencies, the Organization is exposed to fluctuations in those currencies.

Credit risk

The Organization is exposed to credit risk to the extent that a counterparty may default on a contractual obligation resulting in a financial loss. Cash and cash equivalents are held in creditworthy financial institutions in accordance with the Organization's investment policies.

14 Community services and programs support

Community services and programs support the management, oversight and distribution of community investments via the United Way network of agencies, partners and community services. It includes program administration for government programs, allocation of expenses (note 2(e)) and United Way membership dues in accordance with United Way Centraide Canada's ("UWCC") Transparency, Accountability and Financial Reporting ("TAFR") policy.

15 Fundraising expenses

In accordance with UWCC TAFR policy, United Way uses the following method to calculate cost revenue ratios.

	2022	2021
Total revenue, excluding COVID-19 government contributions and investment activities	\$53,885	\$49,538
Total fundraising expenses	\$7,128	\$6,629
Total fundraising expenses as a percentage of total revenue	13.2%	13.4%

As required under the Alberta Charitable Fundraising Regulation (108/2000), Section 7(2) the amounts paid as remuneration to employees whose principle duties involved fundraising was \$2,775 (2021 – \$2,427).