

Financial statements of

United Way of Calgary and Area

December 31, 2011

United Way of Calgary and Area

December 31, 2011

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Independent Auditor's Report

To the Members of
United Way of Calgary and Area

We have audited the accompanying financial statements of United Way of Calgary and Area, which comprise the statement of financial position as at December 31, 2011, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of United Way of Calgary and Area as at December 31, 2011, and its results of operations, changes in fund balances and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP

Chartered Accountants
March 22, 2012

United Way of Calgary and Area

Statement of operations year ended December 31, 2011

			2011	2010
	General Fund	Tomorrow Fund	Total	Total
	\$	\$	\$	\$
Revenue				
Annual campaign	45,854,557	-	45,854,557	45,545,533
Funds transferred from other United Ways	2,711,657	-	2,711,657	2,716,584
Funds transferred to other United Ways	(1,658,816)	-	(1,658,816)	(2,842,393)
Gross campaign revenue	46,907,398	-	46,907,398	45,419,724
Allowance for uncollected pledges	(958,013)	-	(958,013)	(803,452)
Net campaign revenue	45,949,385	-	45,949,385	44,616,272
Donor restricted funds	10,927,443	-	10,927,443	11,064,008
Tomorrow Fund distribution income	125,000	(125,000)	-	-
Investment income	513,209	736,059	1,249,268	918,881
Bequest	321,757	-	321,757	161,450
Loss on disposal of shares	(39,567)	-	(39,567)	(962)
Other revenue	118,002	-	118,002	115,786
	57,915,229	611,059	58,526,288	56,875,435
Fundraising expenses (Schedule 2)	6,603,632	-	6,603,632	6,157,301
Net revenue available for community service	51,311,597	611,059	51,922,656	50,718,134
Community service expenses				
Allocations and designations	39,917,934	217,918	40,135,852	38,238,397
United Way Community Service expenses (Schedule 3)	10,976,308	-	10,976,308	10,222,698
	50,894,242	217,918	51,112,160	48,461,095
Excess of revenue over expenses	417,355	393,141	810,496	2,257,039

United Way of Calgary and Area

Statement of changes in fund balances year ended December 31, 2011

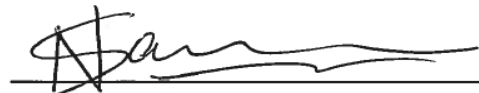
				2011	2010
	Restricted for community use	Tomorrow Fund	Available for general use	Total	Total
	\$	\$	\$	\$	\$
General Fund balance,					
beginning of year	42,346,426	22,269,551	7,800,000	72,415,977	68,666,261
Excess of revenue over expenses	-	393,141	417,355	810,496	2,257,039
Changes in unrealized gains on					
available for sale assets in the year	-	13,751	-	13,751	1,357,953
Endowments contributions received	-	237,474	-	237,474	134,724
Restricted in the year	35,019,794	-	(35,019,794)	-	-
Allocations used	(35,624,196)	-	35,624,196	-	-
Transfer to Tomorrow Fund	-	321,757	(321,757)	-	-
General Fund balance,					
end of year	41,742,024	23,235,674	8,500,000	73,477,698	72,415,977

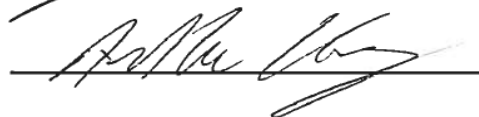
United Way of Calgary and Area

Statement of financial position as at December 31, 2011

			2011	2010
	General Fund	Tomorrow Fund	Total	Total
	\$	\$	\$	\$
Assets				
Current assets				
Cash and cash equivalents	8,302,257	-	8,302,257	7,737,914
Short-term investments (Note 4)	22,655,750	-	22,655,750	25,138,514
Interfund receivable	18,676	(18,676)	-	-
Campaign pledges receivable	18,771,098	-	18,771,098	18,458,834
Accounts receivable and other assets	373,836	-	373,836	298,281
Trust assets (Note 7)	737,329	-	737,329	903,225
	50,858,946	(18,676)	50,840,270	52,536,769
Investments (Note 5)	10,087,727	23,254,350	33,342,077	31,030,534
Property and equipment (Note 6)	1,229,300	-	1,229,300	1,413,487
	62,175,973	23,235,674	85,411,647	84,980,790
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	675,592	-	675,592	661,356
Trust obligations (Note 7)	737,329	-	737,329	903,225
Current portion of deferred contributions (Note 8)	9,982,613	-	9,982,613	9,912,961
	11,395,534	-	11,395,534	11,477,542
Deferred contributions (Note 8)	538,415	-	538,415	1,087,271
	11,933,949	-	11,933,949	12,564,813
Commitments (Note 10)				
Fund balances				
Available for general use	8,500,000	-	8,500,000	7,800,000
Internally restricted (Note 9)	41,742,024	8,367,908	50,109,932	50,169,199
Externally restricted (Note 9)	-	14,867,766	14,867,766	14,446,778
	50,242,024	23,235,674	73,477,698	72,415,977
	62,175,973	23,235,674	85,411,647	84,980,790

Approved by the Board

 Director

 Director

United Way of Calgary and Area

Statement of cash flows

year ended December 31, 2011

	2011	2010
	\$	\$
Operating activities		
Excess of revenue over expenses	810,496	2,257,039
Adjustment for amortization of property and equipment	874,423	1,133,733
Net changes in non-cash operating working capital (Note 11)	(852,787)	(1,394,795)
	832,132	1,995,977
Financing activity		
Contributions received for endowment purposes	237,474	134,724
Investing activities		
Investment in Tomorrow Fund	(650,000)	-
Tomorrow Fund income reinvested	(656,252)	(517,715)
Investment in Guaranteed Investment Certificates	(991,539)	(6,056,987)
Redemption of short-term investments	2,482,764	(19,783,620)
Acquisition of property and equipment	(690,237)	(1,015,568)
	(505,264)	(27,373,890)
Net increase (decrease) in cash and cash equivalents	564,342	(25,243,189)
Cash and cash equivalents, beginning of year	7,737,914	32,981,103
Cash and cash equivalents, end of year	8,302,256	7,737,914
Represented by:		
Cash on hand and held with financial institutions	288,941	7,545,717
Deposits held with banks	8,013,316	192,197
	8,302,257	7,737,914

United Way of Calgary and Area

Notes to the financial statements

December 31, 2011

1. Nature of operations

United Way of Calgary and Area (the "Organization") is a registered charitable public foundation. The Organization is incorporated under the Societies Act of Alberta.

As a registered charitable foundation under Section 149(1) of the Income Tax Act, the Organization is exempt from income taxes; therefore, no provision for income taxes is recorded in the financial statements.

2. Significant accounting policies

a) Fund accounting

General Fund

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

Within the General Fund, the Organization undertakes certain special projects for which dedicated grants or internally restricted funds are received to cover a portion of the related project expenditures.

The Organization also receives and distributes funds restricted by donors (donor choice) for payment to specified charities.

Tomorrow Fund

The Tomorrow Fund is an endowment fund that has been established to accumulate assets that generate investment income. This income is used to fund programs and services in the community through grants to qualified organizations and to reduce the Organization's costs. Contributions to the Tomorrow Fund are recognized as direct increases in fund balances.

b) Revenue recognition

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

Campaign revenue

The annual campaign is conducted to raise support for projects, services provided in the following year by funded agencies, organizations addressing new and emerging needs and other registered Canadian charities. Campaign revenue comprises unrestricted contributions received in cash or pledges receivable during the annual campaign. These are recognized as revenue in the period in which the campaign is held. Reductions in the carrying amount of pledge receivables are recognized as a reduction of campaign revenue.

Contributions of shares in 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 where this is considered appropriate. The resultant value of the shares is included in 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 resultant value, this amount is included in campaign revenue.

United Way of Calgary and Area

Notes to the financial statements

December 31, 2011

2. Significant accounting policies (continued)

b) *Revenue recognition (continued)*

Donor restricted funds

All contributions that are restricted by donors are initially deferred, then recognized as revenue of the General Fund in the year in which related expenses are incurred.

Restricted contributions for property and equipment

Contributions that are restricted by donors for the acquisition of property and equipment are deferred and then amortized over the same period as the corresponding asset.

Tomorrow Fund

The Tomorrow Fund includes endowment contributions and amounts restricted by the Board. Endowment contributions to the Tomorrow Fund are recorded as direct increases to fund balances. Interest and dividend income generated earned from investments of the Tomorrow Fund are treated as revenue of the Tomorrow Fund when earned.

c) *Pledges receivable*

Pledges are recorded as revenue and receivable when signed pledge documents are received or other documents are available to provide reasonable evidence of a valid pledge. Allowances are provided for amounts estimated to be uncollectible.

d) *Investment income and costs*

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

Interest and dividend income earned on long-term investments are recognized in investment income in the period in which they are earned. Unrealized gains and losses on long-term investments are recognized through the statement of change in fund balances until realized, at which time the cumulative gain or loss recognized in fund balances is recognized in the statement of operations. The transaction costs associated with the investment portfolio are expensed as incurred.

e) *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.

f) *Property and equipment*

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

Property and equipment are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be fully recoverable. An impairment loss is recognized when and to the extent that management assesses the future useful life of an asset to be less than originally estimated.

United Way of Calgary and Area

Notes to the financial statements

December 31, 2011

2. Significant accounting policies (continued)

f) *Property and equipment (continued)*

Amortization of property and equipment is provided on a straight-line basis over the useful life of the asset, estimated as follows:

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

As at December 31, 2011, there is approximately 11 years remaining on the aforementioned lease.

g) *Allocation of expenses*

The nature of the Organization's operations dictates that its costs are largely influenced by the deployment of its staff. Similarly, the costs of supporting fundraising and program expenses are directly correlated to the number of people working in each of those areas.

General management and administrative expenses are allocated between fundraising expenses and program expenses based on the headcount of the Organization at the beginning of the year in which the administrative expenses are incurred.

General management and administrative expenses are allocated as follows:

	2011	2010
	%	%
Fundraising expenses	49.2	48.1
United Way Community Service expenses	50.8	51.9

h) *Financial instruments*

Financial instruments are initially recognized at fair value on the statement of financial position. The Organization has categorized each financial instrument as follows:

<u>Category</u>	<u>Financial instrument</u>
Held-for-trading	Cash and cash equivalents and short-term investments
Available for sale	Investments
Loans and receivables	Interfund receivable, campaign pledges receivable, and accounts receivable
Other financial liabilities	Accounts payable and accrued liabilities

Subsequent measurement of the financial instruments is based on their classification.

Financial assets held-for-trading are measured at fair value and changes in their fair values are recognized in investment income.

Available for sale investments are measured at fair market value with unrealized gains or losses recognized directly in Fund Balances, unless an unrealized loss is considered to be other than temporary in which case the loss is recognized as an expense.

Loans and receivables and other financial liabilities are measured at cost or amortized cost. Gains and losses on financial liabilities are recognized in the statement of operations in the period the liability is derecognized.

United Way of Calgary and Area

Notes to the financial statements

December 31, 2011

2. Significant accounting policies (continued)

h) Financial instruments (continued)

The Organization follows the requirements of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3861 and has not adopted the provisions of handbook section 3862, Financial Instruments - Disclosures and Section 3863, Financial Instruments - Presentation.

i) 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.

j) Cash and cash equivalents

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

k) Use of accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") 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 property and equipment, potential impairment of the promissory note, the provision for uncollectable pledges, the current portion of deferred contributions, accrued liabilities and the allocation of administrative costs.

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

3. Future accounting changes

New accounting framework

The Canadian Institute of Chartered Accountants ("CICA") has issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for the annual reporting period that commences on or after January 1, 2012, not-for-profit organizations will have to choose between International Financial Reporting Standards ("IFRS") and Accounting Standards for Not-for-Profit Organizations, whichever accounting framework suits them best. The Organization has chosen to adopt the Accounting Standards for Not-for-Profit Organizations. While permitted to do so, the Organization will not adopt the new standards early and will apply them with effect from the fiscal year beginning January 1, 2012. The impact of adoption has yet to be determined.

United Way of Calgary and Area

Notes to the financial statements

December 31, 2011

4. Short-term investments

At December 31, 2011, the Organization's short-term investments included Guaranteed Investment Certificates (GICs) and equity securities.

Equity securities were donated to the Organization and remain unsold at the respective dates of the financial statements. These assets will be liquidated as soon as is possible in line with the Organization's Policy on Acceptance and Disposal of Shares.

	Maturity	2011	2010
		\$	\$
GICs			
Investment in one-year flexible GICs, 1.1% interest rate	December 2011	-	3,008,462
Investment in one-year flexible GICs, 1.2% interest rate	November - December 2011	-	15,006,871
Investment in one-year flexible GICs, 1.3% interest rate	February 2012	3,796,835	-
Investment in one-year fixed GIC, 1.39% interest rate	July 2011	-	4,025,591
Investment in 18 month fixed GIC, 1.69% interest rate	January 2012	3,074,036	-
Investment in one-year flexible GIC, 1.75% interest rate	December 2012	4,503,503	-
Investment in one-year flexible GIC, 1.76% interest rate	December 2012	5,003,858	-
Investment in 24 month fixed GIC, 2.24% interest rate	June 2011	-	3,037,927
Investment in 24 month fixed GIC, 2.52% interest rate	July 2012	6,225,888	-
		22,604,120	25,078,851
Equity securities		51,630	59,663
		22,655,750	25,138,514

5. Investments

	2011	2010
	\$	\$
Tomorrow Fund		
Investments in externally managed funds	21,046,600	19,726,596
Promissory note	1,982,750	1,982,750
Irrevocable Charitable Remainder Trust	225,000	225,000
	23,254,350	21,934,346
General Fund GICs	10,087,727	9,096,188
	33,342,077	31,030,534

Externally managed funds portfolio weighting

	2011	2010
	%	%
Pooled bonds and cash	41.8	37.3
Equities		
Canadian	26.6	30.3
United States	12.5	13.2
Other foreign	19.1	19.2
	100.0	100.0

United Way of Calgary and Area

Notes to the financial statements

December 31, 2011

5. Investments (continued)

Pooled Bonds are entirely denominated in Canadian dollars.

The promissory note earns interest on the principal sum at a rate equal to the 10 year Government of Canada Bonds set in 2007 less 0.25% per annum. Until December 31, 2011, the effective rate of interest is 3.75% less 0.25% (2010 - 3.5%). This rate, once redetermined, will be effective January 1, 2012 and every five years thereafter. The rate has not yet been determined. This note is repayable upon death of the issuer and is secured by the insurance policy on the life of the donor.

The interest in an Irrevocable Charitable Remainder Trust is carried at the expected realizable value advised by the trustee and will be settled at the time of death of the donor.

At December 31, 2011, the Organization's long-term investments of the general fund were composed of GICs as follows:

	Maturity	2011	2010
		\$	\$
Investment in 18 month fixed to flexible GIC, 1.5% interest rate	June 2013	2,000,082	-
Investment in 18 month fixed GIC, 1.69% interest rate	January 2012	-	3,023,336
Investment in 24 month fixed GIC, 2.2% interest rate	December 2013	4,002,179	-
Investment in 24 month fixed GIC, 2.52% interest rate	July 2012	-	6,072,852
Investment in 36 month fixed GIC, 2.91% interest rate	April 2014	4,085,466	-
		10,087,727	9,096,188

6. Property and equipment

	2011		2010	
	Cost or donated value	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer software	4,529,464	3,633,904	895,560	966,374
Computer equipment	783,682	632,952	150,730	183,693
Furniture and fixtures	374,057	353,322	20,735	52,038
Telephone equipment	355,803	260,538	95,265	133,108
Building improvements	183,177	116,167	67,010	78,274
	6,226,183	4,996,883	1,229,300	1,413,487

Included in the above are assets that are currently not being amortized as they are being prepared for use. Their cost and net book values aggregate \$429,433 (2010 - \$70,527).

7. Trust assets and obligations

The Organization co-ordinates the national campaign for corporate donors, including the processing, collection and subsequent distribution of pledges to other United Way offices. This activity requires that the Organization hold certain assets on behalf of other United Way offices.

United Way of Calgary and Area

Notes to the financial statements

December 31, 2011

8. Deferred contributions

Deferred contributions related to property and equipment represent the unamortized portions of restricted contributions and contributed property and equipment received from private donors as well as contributions received from donors that have not yet been expended.

Deferred contributions - special projects, represent the unspent portions of externally restricted grants received from private donors used to fund special projects undertaken by the Organization.

Deferred contributions - donor designated to charities, reflect the pledged and received amounts of donations accepted by the Organization that are designated to other registered charities and are unpaid.

Deferred contributions - future year campaigns, reflects the pledged and received amounts of donations accepted by the Organization that are restricted by the donor for campaigns of future years.

The Organization carries the value of a restricted Family Fund at its cost plus accrued earnings where appropriate. Cumulative earnings on these funds will be distributed to support United Way initiatives. The Organization periodically transfers amounts from these funds to specific United Way initiatives.

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

Changes in deferred contributions are as follows:

				2011	2010
	Opening balance	Deferred contributions received in year	Deferred contributions used in year	Ending balance	Ending balance
	\$	\$	\$	\$	\$
Property and equipment	101,665	-	(25,829)	75,836	101,665
Special projects	4,224,871	3,399,172	(3,495,459)	4,128,584	4,224,871
Donor designated to charities	6,453,534	7,231,106	(7,480,567)	6,204,073	6,453,534
Future years campaign	87,186	12,003	(87,186)	12,003	87,186
Family fund (non-endowed)	5,152	-	(5,152)	-	5,152
Sponsorship	127,824	90,685	(117,977)	100,532	127,824
	11,000,232	10,732,966	(11,212,170)	10,521,028	11,000,232
Less: current portion				9,982,613	9,912,961
				538,415	1,087,271

The current portion of deferred contributions is based on management's best estimate of amounts to be recognized in the following year.

United Way of Calgary and Area

Notes to the financial statements

December 31, 2011

9. Fund balances

a) *The Tomorrow Fund is composed of:*

			2011	2010
	Externally restricted	Internally restricted	Total	Total
	\$	\$	\$	\$
Community support	7,892,063	6,584,890	14,476,953	13,583,434
Special purpose	2,049,668	-	2,049,668	2,049,668
Infrastructure Fund	3,581,789	1,783,018	5,364,807	5,221,911
Named Funds	910,063	-	910,063	991,330
Endow your Gift	434,183	-	434,183	423,208
	14,867,766	8,367,908	23,235,674	22,269,551

Endowment funds include:

- amounts contributed;
- market gains and losses on endowment contributions; and
- attributable earnings where the donor restricts the use of the investment income earned on the contribution.

Internally restricted funds include:

- amounts restricted by the Board of Directors for a specific purpose;
- market gains and losses on the investment of internally restricted funds; and
- attributable earnings where the endowment donor has not restricted the purpose of the contribution. Under these circumstances the Board restricts the use of such earnings as described under "Community support".

Distribution of income

The Board of Directors has determined that any realized income from the prior year attaching to investments shall be first retained to grow these investments by at least 1% over the inflation rate applicable for the prior year. Then, if sufficient income remains, up to 3.5% of the prior year fund balance before retention shall be recognized as revenue of the General Fund. Such revenue shall be allocated to support community activities according to donor direction in the case of externally restricted income, or according to Board direction in the case of internally restricted income. Any realized income in excess of the 3.5% of the prior year fund balance is retained in the fund.

Community support

Endowment contributions that have no restriction as to their use are held in support of the Organization's engagement in the community. Available income is applied to specific areas of community support in accordance with the direction of the Board of Directors. Such direction is set by the Board on a three year cycle.

Special purpose

These are special investment gifts received from donors whereby the income is directed to specified purposes in consultation with the donors.

Infrastructure Fund

Endowment gifts in this category were contributed to support ongoing property lease and occupancy costs of the Organization.

United Way of Calgary and Area

Notes to the financial statements

December 31, 2011

9. Fund balances (continued)

a) *The Tomorrow Fund is composed of (continued):*

Named Funds and Endow your Gift

Named Funds are endowment gifts received by various donors and named in recognition of the donor or in tribute. Income earned is distributed based on the donor's advice.

Endow your Gift was established to provide a one-time endowment gift option for annual donors reaching retirement. Subject to available income, up to 5% of the capital on these funds is directed to support the Organization's annual campaign. Any remaining income is directed to specific areas defined in consultation with the donors.

b) *Available for general use*

The Board of Directors has determined that the Organization needs to retain a level of 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 general use:

- 6 months of operating budget
- 18 months of normal amortization
- \$1,000,000 disaster response reserve

c) *Internally restricted for community use*

The Organization's community investment program is planned around a combination of 1 to 3 year commitments and a the flexible component is to accommodate years where weak economic conditions might require their use. Any funds beyond those held available for general use are considered to be available for community use. In years where a significant operating surplus or deficit results, the funds allocated to the community support can change materially.

10. Commitments

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

Commitments under this program are included as funds restricted for community use. At December 31, 2011, these commitments over the next four years were:

	\$
2012	35,498,263
2013	22,141,087
2014	5,077,771
2015	250,000

United Way of Calgary and Area

Notes to the financial statements

December 31, 2011

10. Commitments (continued)

- b) The Organization leases office premises under two operating leases expiring on December 31, 2016 and July 31, 2022. Under the terms of the lease expiring in 2022, the Organization has the option to surrender a portion or all of the leased premises at any time after the end of five years. If the option to surrender is exercised, the Organization would have to pay the unamortized portion of the leasehold allowance, which as of December 31, 2011 was \$389,401 (2010 - \$409,150).

The Organization has also entered into a five year lease agreement for office equipment expiring in January 2017.

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

	Office premises	Office equipment	Total
	\$	\$	\$
2012	400,244	56,319	456,563
2013	429,988	61,439	491,427
2014	429,988	61,439	491,427
2015	429,988	61,439	491,427
2016	429,988	61,439	491,427
Thereafter	2,561,601	5,120	2,566,721
	<u>4,681,797</u>	<u>307,195</u>	<u>4,988,992</u>

11. Net changes in non-cash operating working capital

	2011	2010
	\$	\$
Campaign pledge receivable	(312,264)	(466,378)
Accounts receivable and other assets	(75,555)	115,144
Accounts payable and accrued liabilities	14,237	28,758
Deferred contributions	(479,204)	(1,072,319)
	<u>(852,786)</u>	<u>(1,394,795)</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.

A portion of the Organization's capital is externally restricted in that the Organization is required to meet certain requirements, as described in Note 9. The Organization has internal control processes to ensure that the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.

Management and the Board of Directors carefully consider fundraising campaigns, grants, sponsorship and investment income to ensure that sufficient funds will be available to meet the Organization's short and long-term objectives.

United Way of Calgary and Area

Notes to the financial statements

December 31, 2011

12. Management of capital (continued)

The Organization monitors its financial performance against an annual budget that is approved by the Board of Directors. Surpluses from unspent operational activities are accumulated under fund balances available for general use or those internally restricted for community use. In the event that revenues decline, the Organization will budget for reduced distributions and reduced operational expenditures. While an annual budget deficit may periodically arise, no such deficit shall be allowed to exceed the total funds available under the fund balances available for general use.

13. Financial risk management

The Organization's financial risks are as follows:

Market risk

The Tomorrow Fund's assets include a large portion of equity securities. These assets are invested in pooled funds managed professionally by a fund manager appointed by the Board of Directors. 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 Investment Committee of the Board of Directors. The Investment Committee has authority to make certain changes to asset mix to ensure that the investments are as secure as possible. The value of equity securities 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 value of investments. The fair market value of the managed portfolio at December 31, 2011 is \$21,046,600 (2010 - \$19,726,596), with 58.2% (2010 - 62.7%) invested in equity securities (Note 5).

The Organization carries a promissory note, valued at \$1,982,750 (2010 - \$1,982,750), that is fully insured on the life of the donor. The Organization also carries a Charitable Remainder Trust, valued at \$225,000 (2010 - \$225,000). The Organization does not include the value of either of these assets in any of its operational plans.

Short-term investments include equity securities donated to the Organization which remain unsold at the date of the financial statements. The market value of these securities at December 31, 2011 was \$51,630 (2010 - \$59,663). These assets will be liquidated as soon as is possible in line with the Organization's Policy on Acceptance and Disposal of Shares.

Liquidity risk

In the current economic environment, the Organization may be subject to liquidity risk if required to realize its long-term investments in the near term. Long-term investments in GICs are held in a staggered portfolio to mitigate liquidity risk. The Tomorrow Fund is held in perpetuity with no intention or need to liquidate the investments held therein.

Interest rate risk

The Organization is exposed to interest rate risk given that its cash equivalents, and short-term investments and long term investments have varying maturity dates. Accordingly, if interest rates decline, the Organization may not be able to reinvest the maturing investment at a rate similar to that of the balance maturing.

Foreign exchange risk

Because a portion of the Organization's investment portfolio is denominated in foreign currencies, the Organization is exposed to fluctuations in those currencies. At December 31, 2011, the foreign content of the managed portfolio of the Tomorrow Fund was 31.6% (2010 - 32.4%) (Note 5).

Credit risk

The Organization is exposed to credit risk to the extent that its donors may experience financial difficulty and would be unable to meet their obligations. However, the Organization has a large number of diverse donors, which minimizes concentration of credit risk.

United Way of Calgary and Area

General management and administrative expenses - Schedule 1 year ended December 31, 2011

	2011	2010
	\$	\$
Salaries and employee benefits	3,640,752	3,061,006
Occupancy costs	639,973	692,386
Professional fees	386,073	437,129
Promotion and publicity	838,510	501,876
Office expenses	524,691	436,431
Professional development and training	108,008	102,122
Meetings and travel	51,342	70,891
Other administrative expenses	169,112	141,328
Amortization of property and equipment	874,423	1,133,733
Total general management and administrative expenses before allocations	7,232,884	6,576,902
Allocation to fundraising expenses (Schedule 2)	(3,559,302)	(3,163,490)
Allocation to United Way Community Service expenses (Schedule 3)	(3,673,582)	(3,413,412)
Total general management and administrative expenses	-	-

United Way of Calgary and Area

Fundraising expenses - Schedule 2 year ended December 31, 2011

	2011	2010
	\$	\$
Salaries and employee benefits	2,648,436	2,552,417
Professional fees	667	1,960
Office expenses	96,740	96,694
Professional development and training	3,251	2,356
Meetings and travel	25,741	22,808
Direct fundraising expenses	269,495	317,576
Total fundraising expenses	3,044,330	2,993,811
Allocation of general management and administrative expenses (Schedule 1)	3,559,302	3,163,490
Total fundraising expenses	6,603,632	6,157,301

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United Way Community Service expenses - Schedule 3 year ended December 31, 2011

	2011	2010
	\$	\$
Community investment process	1,494,036	1,389,473
Donor restricted funds applied to special projects *	3,495,459	3,792,343
Internally restricted funds applied to projects *	2,313,231	1,627,470
Allocation of general management and administrative expenses (Schedule 1)	3,673,582	3,413,412
Total United Way Community Service expenses	10,976,308	10,222,698

* Details of the donor and internally restricted funds applied to projects:

			2011	2010
	Donor Restricted Funds	Internally Restricted Funds	Total	Total
	\$	\$	\$	\$
Childrens' Initiatives	199,700	413,980	613,680	449,065
Sustained Poverty Reduction Initiative	-	618,320	618,320	628,049
Aboriginal Youth and Education Strategy	509,509	206,243	715,752	749,775
Community Hub Development	1,475,470	63,684	1,539,154	1,422,111
Other projects	1,310,780	1,011,004	2,321,784	2,170,813
	3,495,459	2,313,231	5,808,690	5,419,813

United Way of Calgary and Area

Ratio note (TAFR) - Schedule 4
year ended December 31, 2011

	2011		2010	
	\$	%	\$	%
Fundraising ratio				
Total revenue per statement of operations	58,526,288	-	56,875,435	-
Add: allowances for uncollected pledges	958,013	-	803,452	-
Total revenue for fundraising	59,484,302	-	57,678,887	-
Total direct fundraising expenses (Schedule 2)	3,044,330	5.1	2,993,811	5.2
General management and administrative expenses associated with fundraising (Schedule 2)	3,559,302	6.0	3,163,490	5.5
	6,603,632	11.1	6,157,301	10.7
Allocation ratio				
Total revenue per statement of operations	58,526,288	-	56,875,435	-
Allocation to fund balances (excess of revenue over expenses)	810,496	1.4	2,257,039	4.0
Funds allocated to Community Service	51,112,160	87.3	48,461,095	85.2

Charitable Fund-raising Act and Regulations

Solicitation material provided by the Organization to prospective donors in 2011 reflects total fundraising costs to be an estimated 11% (2010 - 11%) of total revenue.

The information required to be disclosed under the Charitable Fund-raising Regulation (Alberta 108/2000) is adequately presented in these financial statements and the respective notes and schedules