

Statement of Financial Position

(In thousands of dollars)

December 31, 2005, with comparative figures for 2004	2005	2004
Assets		
Current assets:		
Cash and short-term deposits	\$ 34,030	\$ 34,181
Campaign pledges receivable	5,408	5,347
Other receivables	1,469	1,212
Prepaid expenses (note 2)	10,382	9,622
	51,289	50,362
Investments (note 3)	50,223	45,087
Capital assets (note 4)	1,221	1,550
	\$ 102,733	\$ 96,999
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,285	\$ 2,348
Designated and flowthrough gifts payable	4,877	4,849
Deferred campaign revenue	41,587	41,495
Deferred rent and capital contributions	806	1,029
	48,555	49,721
Accrued pension liability (note 5)	987	992
Net assets:		
Invested in capital assets (note 6)	1,029	1,230
Restricted for The Tomorrow Fund Endowment (note 7)	41,550	35,844
Unrestricted (note 8)	10,612	9,212
	53,191	46,286
Commitments (note 10)		
	\$ 102,733	\$ 96,999

See accompanying notes to financial statements.

On behalf of the Board:

Trustee

R. E. Venn.

Trustee

R. Blay

Statement of Operations

(In thousands of dollars)

Year ended December 31, 2005, with comparative figures for 2004	2005	2004
Revenue:		
Campaign revenue	\$ 94,011	\$ 87,855
Funds received from other United Ways	339	282
Funds received for other United Ways	(4,069)	(2,842)
Bequests	2,320	1,725
Total gifts	92,601	87,020
Pledge shrinkage	(1,182)	(897)
Total fundraising revenue	91,419	86,123
Grants	1,419	1,182
Investment income	4,546	3,976
	5,965	5,158
Total revenue	\$ 97,384	\$ 91,281
Distributions and Community Programs:		
Allocation to United Way of Greater Toronto agencies and partners	\$ 46,371	\$ 44,542
Grant programs	4,959	4,162
Programs delivered by United Way of Greater Toronto	1,966	1,552
One-time donor-specified donations to United Way of Greater Toronto programs, agency projects and grant programs	2,407	1,893
Joint Areawide campaign proceeds to partner United Ways	6,278	6,022
Donor designations to:		
United Way of Greater Toronto agencies and partners	1,716	2,185
Other United Ways	1,776	1,510
Other registered charities	11,344	11,413
Allocation and needs assessment, program expenses	2,196	1,842
Total distribution and community programs	79,013	75,121
Operating expenses:		
Fundraising	12,741	12,586
Recovery of joint Areawide campaign costs from partner United Ways	(440)	(451)
	12,301	12,135
Total distributions and expenses	\$ 91,314	\$ 87,256
Excess of revenue over distributions and expenses	\$ 6,070	\$ 4,025
Allocated to:		
Internally restricted for The Tomorrow Fund (note 7)	\$ 4,871	\$ 3,821
Unrestricted net assets (note 8)	1,612	626
Amortization of capital assets	(413)	(422)
	\$ 6,070	\$ 4,025

See accompanying notes to financial statements.

Statement of Changes in Net Assets

(In thousands of dollars)

Year ended December 31, 2005, with comparative figures for 2004								
2005					2004			
	Invested in capital assets	Restricted for The Tomorrow Fund Endowment	Unrestricted	Total	Invested in capital assets	Restricted for The Tomorrow Fund Endowment	Unrestricted	Total
	(note 6)	(note 7)			(note 6)	(note 7)		
Net assets, beginning of year	\$ 1,230	\$ 35,844	\$ 9,212	\$ 46,286	\$ 1,334	\$ 31,156	\$ 8,904	\$ 41,394
Excess (deficiency) of revenue over distributions and expenses	(413)	4,871	1,612	6,070	(422)	3,821	626	4,025
Endowment contributions	-	835	-	835	-	867	-	867
Invested in capital assets	212	-	(212)	-	318	-	(318)	-
Net assets, end of year	\$ 1,029	\$ 41,550	\$ 10,612	\$ 53,191	\$ 1,230	\$ 35,844	\$ 9,212	\$ 46,286

See accompanying notes to financial statements.

Statement of Cash flows

(In thousands of dollars)

Year ended December 31, 2005, with comparative figures for 2004	2005	2004
Cash flows from operating activities:		
Excess of revenue over distributions and expenses	\$ 6,070	\$ 4,025
Items not involving cash:		
Amortization of capital assets	541	550
Amortization of lease inducement	231	227
Amortization of deferred capital contributions	(128)	(128)
Disposal of capital assets	108	-
Increase (decrease) in accrued pension liability	(5)	20
Increase in deferred campaign revenue	92	7,367
Net change in non-cash operating working capital	(2,439)	972
Cash flows from operating activities	4,470	13,033
Cash flows from financing and investing activities:		
Purchase of capital assets	(320)	(318)
Endowment contributions received	835	867
Net increase in investments	(5,136)	(2,513)
Cash flows used in financing and investing activities	(4,621)	(1,964)
Increase (decrease) in cash and short-term deposits	(151)	11,069
Cash and short-term deposits, beginning of year	34,181	23,112
Cash and short-term deposits, end of year	\$ 34,030	\$ 34,181

See accompanying notes to financial statements.

United Way of Greater Toronto - Notes to Financial Statements

Year ended December 31, 2005

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.

I. 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 2004 campaign and the related distributions made from the proceeds of that campaign in 2005. 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 2005 campaign will be reported in the 2006 financial statements. Funds received from the 2005 campaign to December 31, 2005 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 co-ordinator of their national campaigns, to receive and disburse funds on behalf of other United Ways within their local communities. Funds received under these centrally co-ordinated 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 on The Tomorrow Fund Endowment includes dividends, interest, realized gains (losses) and the net change in unrealized gains (losses) for the year.

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

(b) Investments:

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

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

(c) Capital assets:

Purchased capital assets are stated at acquisition cost. 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 the 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 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.

Notes to Financial Statements (continued)

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, 2004. The date of the next required valuation is December 31, 2007.
- (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 17.1 years.
- (iv) The unamortized transitional asset is amortized over 17.1 years.

(f) Calculation of cost revenue ratios:

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

	2005	2004
Total gifts	\$ 92,601	\$ 87,020
Breakdown of fundraising expenses on statement of operations:		
Direct fundraising expenses	\$ 10,371	\$ 10,144
General management and administrative expenses	2,370	2,442
Total fundraising expenses	\$ 12,741	\$ 12,586
Direct fundraising expenses as a percentage of total gifts	11.2%	11.7%
General management and administrative expenses as a percentage of total gifts	2.6%	2.8%
Total fundraising expenses as a percentage of total gifts	13.8%	14.5%

(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:

	2005	2004
Fundraising	84.5%	86.2%
Allocations and needs assessment	15.5%	13.8%

(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. Prepaid expenses:

	2005	2004
Prepaid fundraising expenses related to 2005 campaign	\$ 10,106	\$ -
Prepaid fundraising expenses related to 2004 campaign	-	9,301
Tenant inducement annuity	123	160
Other	153	161
	\$ 10,382	\$ 9,622

3. Investments:

	2005		2004	
	Carrying value	Market value	Carrying value	Market value
Canadian fixed income securities	\$ 6,477	\$ 7,589	\$ 7,813	\$ 8,637
Canadian equities	4,533	5,669	4,244	5,233
Investments with The Toronto Community Foundation:				
Canadian fixed income securities and cash	14,914	14,914	11,230	11,230
Canadian equities	15,408	15,408	13,212	13,212
U.S. and global equities	8,891	8,891	8,588	8,588
	39,213	39,213	33,030	33,030
	\$ 50,223	\$ 52,471	\$ 45,087	\$ 46,900

The Canadian fixed income securities produce a yield to maturity of 4.3% (2004 - 4.6%) and have a weighted average term to maturity of 9.72 years (2004 - 9.53 years).

Investments held for The Tomorrow Fund total \$41,550 (2004 - \$35,844) (note 7).

4. Capital assets:

	2005		2004	
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 2,268	\$ 1,918	\$ 350	\$ 473
Fundraising software	1,201	965	236	501
Furniture and fixtures	788	551	237	199
Leasehold improvements	1,231	854	377	351
Delivery van	37	16	21	26
	\$ 5,525	\$ 4,304	\$ 1,221	\$ 1,550

Notes to Financial Statements (continued)

5. Accrued pension liability:

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

	2005	2004
Accrued pension obligation:		
Balance, beginning of year	\$ 4,793	\$ 4,190
Current service cost	377	325
Interest cost	302	276
Benefits paid	(266)	(271)
Actuarial losses	784	273
Balance, end of year	5,990	4,793
Plan assets:		
Fair value, beginning of year	3,752	3,498
Annual return on plan assets	467	277
Employer contributions	444	339
Benefits paid	(266)	(271)
Administrative expenses	(105)	(91)
Fair value, end of year	4,292	3,752
Funded status - deficit	(1,698)	(1,041)
Unamortized net actuarial loss	964	321
Unamortized transitional asset	(253)	(272)
Accrued pension liability	\$ (987)	\$ (992)

The United Way's funded deficit amounted to \$962 (2004 - \$380) for its registered defined benefit plan and \$736 (2004 - \$661) for its unregistered defined benefit pension plan.

The accrued pension liability amounted to \$521 (2004 - \$570) for the registered plan and \$466 (2004 - \$422) for the unregistered defined benefit plan.

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

	2005	2004
Accrued benefit obligation:		
Discount rate	5.25%	6.00%
Rate of compensation increase	3.50%	3.50%
Benefit costs:		
Discount rate	5.25%	6.00%
Expected long-term rate of return on plan assets	5.25%	6.00%
Rate of compensation increase	3.50%	3.50%

Plan assets consist of:

	2005	2004
Equity securities	60%	62%
Debt securities	38%	35%
Other	2%	3%
	100%	100%

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

	2005	2004
Current service cost, net of employees' contributions	\$ 377	\$ 325
Interest cost	302	276
Expected return on plan assets	(229)	(232)
Amortization of transitional obligation	(19)	(19)
Amortization of unrecognized net actuarial loss	8	6
Net pension plan expense	\$ 439	\$ 356

United Way contributed \$93 (2004 - \$82) to its defined contribution plan.

6. Invested in capital assets:

Invested in capital assets is comprised of the following:

	2005	2004
Capital assets	\$ 1,221	\$ 1,550
Deferred capital contributions	(192)	(320)
	\$ 1,029	\$ 1,230

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

	2005	2004
Excess of revenue over distributions and expenses :		
Amortization of capital assets	\$ (541)	\$ (550)
Amortization of deferred capital contributions	128	128
	(413)	(422)
Net change in invested in capital assets:		
Purchase of capital assets	\$ 320	\$ 318
Disposal of capital assets	(108)	-
	212	318
	\$ (201)	\$ (104)

7. 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:

	2005	2004
Externally restricted	\$ 10,053	\$ 8,733
Internally restricted	31,497	27,111
	\$ 41,550	\$ 35,844

Notes to Financial Statements (continued)

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

	2005	2004
Investment income on:		
Internally restricted funds	\$ 3,169	\$ 2,730
Externally restricted funds	863	725
Bequests	2,320	1,725
Distributions	(1,481)	(1,359)
Transfer from Unrestricted to The Tomorrow Fund Endowment	\$ 4,871	\$ 3,821

Endowment contributions of \$835 (2004 - \$867) have been donated to The Tomorrow Fund Endowment. These amounts are not included in revenue in the statement of operations, but have been added directly to The Tomorrow Fund Endowment assets as stated in note 1(a).

8. 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 million to \$5 million. The balance at December 31, 2005 of \$10.6 million will be reduced gradually over the next three years through specific community programs, totalling approximately \$5 million.

9. One-time donor specified donations to United Way of Greater Toronto programs, agency projects and grant programs:

United Way receives special one-time gifts from donors. These special gifts are targeted to specific programs, capital projects or grant programs managed by United Way or its member agencies. United Way works with special gifts donors to match their specific giving interest to United Way funding priorities in the community.

10. Commitments:

(a) Multi-year funding agreements:

United Way has entered into agreements with certain member agencies and partners to set their allocations over two to five-year terms. The agreements can be renewed by mutual consent.

Funding commitments for the next three years are as follows:

2006	\$ 23,494
2007	2,700
2008	300
	\$ 26,494

(b) Long-term lease:

United Way leases office premises and certain computer equipment under long-term operating leases expiring up to April 30, 2015. Rental payments, excluding operating costs and realty taxes, over the next five years and thereafter are as follows:

2006	\$ 729
2007	756
2008	800
2009	826
2010	735
Thereafter	3,430
	\$ 7,276

11. Flowthrough arrangements:

United Way received and distributed \$4,416 (2004 - \$5,826) under the flowthrough arrangements described in note 1(a) relating to the 2004 campaign (prior year amounts related to the 2003 campaign).

12. Financial assets and liabilities:

The fair value of investments is equal to the quoted market value, as disclosed in note 3. The fair values of other financial assets and liabilities, being cash and short-term deposits, campaign pledges receivable, other receivables, accounts payable and accrued liabilities and designated and flowthrough gifts payable approximate their carrying values due to the relatively short-term nature of these instruments.

13. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year