



MESSAGE FROM THE TREASURER

In these turbulent times, trust has become an ever more precious commodity. Each day, we hear calls for improved corporate governance and better financial disclosure. Charities are not exempt from these questions, nor should we be. Both the Board of Trustees and management at United Way believe strongly in financial transparency, so that the operations of United Way of Greater Toronto are clear and understandable to our donors and all our stakeholders.

Concern with these issues is not new at United Way of Greater Toronto. We are proud to be a leader in corporate governance and financial disclosure issues in the charitable sector, both in our own practices and with our member agencies. All of the members of our Board of Trustees are independent of management and represent a wide range of skills and the diversity of the community. United Way of Greater Toronto has had an independent Finance and Audit Committee for many years, and it plays an active

role in ensuring the integrity of the financial statements, budgets and financial operations of the organization.

Thanks to the continuing generosity of our donors, United Way of Greater Toronto remains in strong financial health in 2002. This enables us to be a stable source of core funding to our member agencies, allowing them to move forward and address the growing challenges of our community. The Board of Trustees has also fostered innovative approaches to emerging needs throughout Toronto, committing \$2.8 million of our unrestricted net assets to programs dealing with these issues, particularly in the former inner suburbs of the city.

Despite an increasingly competitive fundraising environment, we have enjoyed success in our annual campaign and other fundraising efforts. As a result, we were able to deliver \$60.7 million donor dollars to the community in 2002, an increase of \$2.4 million over 2001.

United Way of Greater Toronto benefits from the time and talents of thousands of volunteers. This volunteer support and tight management help us to operate efficiently and effectively. In 2002, our overall cost of fundraising, including endowment contributions, was 13.4%, which compares favourably to the average cost of fundraising in Canada of 26%, as reported by the Canadian Centre for Philanthropy.

J. Douglas Barrington, FCA
Vice Chair, Deloitte & Touche LLP
Vice Chair, Finance and Treasurer



2002 FINANCIAL STATEMENTS

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

AUDITORS' REPORT

To the Board of Trustees of United Way of Greater Toronto

We have audited the statement of financial position of United Way of Greater Toronto as at December 31, 2002 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of United Way of Greater Toronto's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of United Way of Greater Toronto as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Toronto, Canada
March 17, 2003



NOVEMBER 21

Hundreds of workplace donors pitch in for a day of volunteering at United Way agencies on Days of Caring

UNITED WAY OF GREATER TORONTO

Statement of Financial Position (In thousands of dollars)

December 31, 2002, with comparative figures for 2001	2002	2001
Assets		
Current assets:		
Cash and short-term deposits	\$ 26,048	\$ 20,469
Campaign pledges receivable	5,331	5,107
Other receivables	1,734	1,582
Prepaid expenses (note 2)	9,759	9,438
	42,872	36,596
Investments (note 3)	37,931	34,971
Capital assets (note 4)	1,796	1,892
	\$ 82,599	\$ 73,459

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,562	\$ 2,834
Designated and flowthrough gifts payable	8,884	4,959
Deferred campaign revenue	27,821	26,075
Deferred rent	1,046	1,287
	42,313	35,155
Accrued pension liability (note 5)	938	597
Net assets:		
Invested in capital assets	1,796	1,892
Restricted for The Tomorrow Fund endowment (note 6)	27,711	27,746
Unrestricted (note 7)	9,841	8,069
	39,348	37,707
Commitments (note 9)		
	\$ 82,599	\$ 73,459

On behalf of the Board:

Trustee



Trustee



Statement of Cash Flows (In thousands of dollars)

Year ended December 31, 2002, with comparative figures for 2001	2002	2001
Cash flows from operating activities:		
Excess of revenue over distributions and expenses (distributions and expenses over revenue)	\$ (476)	\$ 3,721
Amortization of capital assets	586	610
Amortization of lease inducement	227	227
Net pension plan expense	341	290
Net change in non-cash working capital	4,488	(952)
Increase in deferred campaign revenue	1,746	2,032
Cash flows from operating activities	6,912	5,928
Cash flows from financing and investing activities:		
Purchase of capital assets	(490)	(319)
Endowment contributions received	2,117	674
Net increase in investments	(2,960)	(6,090)
Cash flows used in financing and investing activities	(1,333)	(5,735)
Increase in cash and short-term deposits	5,579	193
Cash and short-term deposits, beginning of year	20,469	20,276
Cash and short-term deposits, end of year	\$ 26,048	\$ 20,469

See accompanying notes to financial statements.

UNITED WAY OF GREATER TORONTO

Statement of Operations (In thousands of dollars)

Year ended December 31, 2002, with comparative figures for 2001	2002	2001
Fundraising revenue (note 1(a)):		
Campaign revenue	\$ 74,994	\$ 71,220
Bequests	474	1,167
	75,468	72,387
Pledge Shrinkage	(1,873)	(1,963)
Total fundraising revenue	73,595	70,424
Distributions and Community Programs:		
Allocation to United Way agencies and partners	40,571	39,210
Grant programs	2,356	2,199
Programs delivered by United Way	559	493
Payment of joint Areawide campaign proceeds to partner United Ways	5,648	6,186
Funds designated by donors (note 8)	11,560	10,232
	60,694	58,320
Expenses:		
Fundraising	10,424	9,103
Allocation and needs assessment	1,619	1,534
Amortization of capital assets	586	610
Gross expenses	12,629	11,247
Recovery of joint Areawide campaign costs from partner United Ways	(494)	(489)
	12,135	10,758
Total distributions and expenses	\$ 72,829	\$ 69,078
Excess of revenue over distributions and expenses before the undernoted item	766	1,346
Investment income (loss)	(1,242)	2,375
Excess of revenue over distributions and expenses (distributions and expenses over revenue)	\$ (476)	\$ 3,721
Allocated to:		
Internally restricted for The Tomorrow Fund endowment (note 6)	\$ (2,152)	\$ 1,413
Unrestricted net assets (note 7)	2,262	1,896
Internally restricted for Stabilization Fund	-	1,022
Amortization of capital assets	(586)	(610)
	\$ (476)	\$ 3,721

Statement of Changes in Net Assets (In thousands of dollars)

Year ended December 31, 2002, with comparative figures for 2001	2002			2001	
	Invested in capital assets	Restricted for The Tomorrow Fund endowment	Unrestricted	Total	Total
Net assets, beginning of year	\$ 1,892	\$ 27,746	\$ 8,069	\$ 37,707	\$ 33,312
Excess of revenue over distributions and expenses (distributions and expenses over revenue)	(586)	(2,152)	2,262	(476)	3,721
Endowment contributions	-	2,117	-	2,117	674
Purchase of capital assets	490	-	(490)	-	-
Net assets, end of year	\$ 1,796	\$ 27,711	\$ 9,841	\$ 39,348	\$ 37,707

See accompanying notes to financial statements.

UNITED WAY OF GREATER TORONTO

Notes to Financial Statements (In thousands of dollars)

Year ended December 31, 2002

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

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

1. Significant accounting policies:

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

(a) Revenue recognition:

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

The campaign revenue reported in these financial statements represent amounts received or receivable in connection with the 2001 campaign and the related distributions made from the proceeds of that campaign in 2002. 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 2002 campaign will be reported in the 2003 financial statements. Funds received from the 2002 campaign to December 31, 2002 are shown as deferred campaign revenue. Fundraising costs applicable to this campaign are deferred and included in prepaid expenses.

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

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

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

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

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

(b) Investments:

- (i) The portion of The Tomorrow Fund endowment invested in pooled funds with The Toronto Community Foundation is carried at market value.
- (ii) All other investments are recorded at cost less write-downs, if required, for other than temporary declines in value.

(c) Capital assets:

Purchased capital assets are stated at acquisition cost. Contributed capital assets are recorded at fair market value at the date of acquisition. Amortization is provided on the following basis 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) Contributed materials and services:

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

(e) Employee future benefits:

United Way has a combined defined registered 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 cost of the unregistered plan is currently expensed and accrued; it will be funded as benefits are paid.

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

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

(f) Allocation of expenses:

Expenses are distributed between allocation and needs assessment and fundraising expenses to reflect the activity performed and the related direct cost.

UNITED WAY OF GREATER TORONTO

Notes to Financial Statements (In thousands of dollars)

Year ended December 31, 2002

2. Prepaid expenses:

	2002	2001
Prepaid fundraising expenses related to 2002 campaign	\$ 8,731	\$ -
Prepaid fundraising expenses related to 2001 campaign	-	8,359
Tenant inducement annuity	364	451
Other	664	628
	\$ 9,759	\$ 9,438

3. Investments:

	2002		2001	
	Carrying Value	Market Value	Carrying Value	Market Value
Canadian fixed income securities	\$ 5,813	\$ 5,879	\$4,677	\$4,674
Canadian equities	7,361	6,752	4,178	4,390
Investments with The Toronto Community Foundation	24,757	24,757	26,116	26,116
	\$37,931	\$37,388	\$34,971	\$35,180

The Canadian fixed income securities produce a yield to maturity of 4.7% (2001 - 5.2%) and have a weighted average term to maturity of 9.03 years (2001 - 9.39 years).

The investments with The Toronto Community Foundation are in pooled funds which have a portfolio of 38% (2001 - 38%) Canadian fixed income securities and cash, 38% (2001 - 31%) Canadian equities, and 24% (2001 - 31%) U.S. and global equities.

4. Capital assets:

	2002		2001	
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 3,426	\$ 2,920	\$ 506	\$ 460
Fundraising software	1,201	493	708	783
Furniture and fixtures	666	465	201	208
Leasehold improvements	1,121	745	376	434
Delivery van	28	23	5	7
	\$ 6,442	\$ 4,646	\$ 1,796	\$ 1,892

5. Accrued pension liability:

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

	2002	2001
Accrued pension obligation:		
Balance, beginning of year	\$ 4,887	\$ 4,771
Current service cost	490	475
Interest cost	320	316
Benefits paid	(280)	(797)
Actuarial losses	10	122
Balance, end of year	5,427	4,887
Plan assets:		
Fair value, beginning of year	4,537	5,351
Annual (loss) on plan assets	(351)	(156)
Employer contributions	43	10
Employees' contributions	125	129
Benefits paid	(280)	(797)
Fair value, end of year	4,074	4,537
Funded status - deficit	(1,353)	(350)
Unamortized net actuarial loss	726	83
Unamortized transitional asset	(311)	(330)
Accrued pension liability	\$ (938)	\$ (597)

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

	2002	2001
Discount rate	6.5%	6.5%
Expected long-term rate of return on plan assets	6.5%	6.5%
Rate of compensation increase	3.5%	3.5%
Consumer Price Index increase	3.5%	3.5%

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

	2002	2001
Current service cost, net of employees' contributions	\$ 364	\$ 346
Interest cost	320	316
Expected return on plan assets	(330)	(352)
Amortization of transitional asset	(19)	(20)
Amortization of unrecognized net actuarial loss	6	-
Net pension plan expense	\$ 341	\$ 290

6. The Tomorrow Fund endowment:

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

	2002	2001
Externally restricted	\$ 6,156	\$ 4,513
Internally restricted	21,555	23,233
	\$ 27,711	\$ 27,746

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

	2002	2001
Investment income (loss) on:		
Internally restricted funds	\$ (1,144)	\$ 967
Externally restricted funds	(170)	153
Bequests	474	1,167
Distributions	(1,312)	(874)
Transfer from (to) Unrestricted to The Tomorrow Fund endowment	\$ (2,152)	\$ 1,413

In addition, upon dissolution of the Stabilization Fund in 2001, \$12,500 was transferred from the Stabilization Fund to The Tomorrow Fund endowment.

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

	2002	2001
Endowment contributions	\$ 2,117	\$ 674

UNITED WAY OF GREATER TORONTO

Notes to Financial Statements (In thousands of dollars)

Year ended December 31, 2002

7. 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 approximately \$2.8 million of the unrestricted net asset balance of \$9.8 million at December 31, 2002 be spent on specific community programs over the next three years.

8. Funds designated by donors:

Funds designated by donors consist of the following:

	2002	2001
For partners and member agencies	\$ 1,494	\$ 1,404
For other United Ways	1,982	2,314
For non-United Way charities	8,084	6,514
	\$ 11,560	\$ 10,232

9. Commitments:

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

2003.....	\$ 770
2004.....	717
2005.....	714
2006.....	725
2007.....	242
	\$ 3,168

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

10. Flow-through arrangements:

United Way received and distributed \$9,401 (2001 - \$3,014) under the flow-through arrangements described in note 1(a) relating to the 2001 campaign (prior year amounts related to the 2000 campaign).

11. Financial assets and liabilities:

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

12. Comparative figures:

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

