Message from the Treasurer

Our donors in the 2002 campaign were wonderfully generous, resulting in larger distributions to agencies to help support their core operations and meet the community's increasing needs. The Tomorrow Fund, our endowment, has also benefited from our donors. It gives me great pleasure to report that United Way of Toronto is in strong financial health, after a most successful fundraising year.

United Way strives continually to embrace best practices of corporate governance. We take great care to publish our financial results fully and transparently to ensure that our donors and stakeholders are aware of our sources of donations and the distribution of those funds. Our strong Finance and Audit Committee is comprised of skilled professionals, independent of management. The committee is active in the establishment of budgets and ensuring that the financial statements protect and represent the integrity of the operations and stakeholder interests of United Way of Greater Toronto.

The Statement of Operations for our fall 2002 campaign is expanded from previous years to broaden information about donations made through United Way to other charitable organizations outside our member agencies and programs. Allocations of our revenues to United Way agencies and partners increased from $40.6 million in 2002 to $43.5 million in 2003, and also provided an additional $0.4 million in grants over the previous year. Our objective is to remain as cost efficient as possible to ensure that maximum funding goes to those we serve. United Way of Greater Toronto benefits from the efforts of thousands of volunteers who assist in our fundraising campaigns, in many of our special events, and organizations that provide donated services. As a result, our cost of fundraising activity, including endowment contributions, was 13.5 per cent, which compares favourably to the average cost of fundraising in Canada of 26 per cent, as reported by the Canadian Centre for Philanthropy. Our overall cost of operations versus revenues was an improved 16.4 per cent versus 16.8 per cent the previous year. Donations are made annually through pledges or promises, but may not be fulfilled by donors for various reasons; this is referred to as "pledge loss." We are pleased that the rate of losses of pledges was 2.5 per cent versus 2.8 per cent in 2001.

Despite difficult investment conditions in 2002, The Tomorrow Fund was able to distribute $1.152 million dollars for Success by 6®, programs designed to give young children a good start. The Board of Trustees also authorized the spending from Unrestricted Net Assets reserve funds of $509,000 to support programs to build capacity within member agencies, as well as to conduct research on high priority issues facing Toronto.

Safeguarding personal information entrusted to us by our donors has always been of paramount importance and we have always embraced the highest standards. We welcome and are fully compliant with the introduction of the new privacy legislation that should improve confidence in the non-profit charitable sector as a whole.

United Way's Board of Trustees and management continue to strike a careful balance between fiscal conservatism and necessary investments in order to protect United Way's much-needed and unique role in supporting the community.

Robert Harding

Chairman, Brascan Corporation
Vice Chair, Finance and Treasurer

Robert Harding

2003 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, 2003 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, 2003 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 12, 2004

UNITED WAY OF GREATER TORONTO

Statement of Financial Position (In thousands of dollars)

December 31, 2003, with comparative figures for 2002		2003		2002
Assets				
Current assets:				
Cash and short-term deposits	$	23,112	$	26,048
Campaign pledges receivable		5,639		5,331
Other receivables		1,257		1,734
Prepaid expenses (note 2)		9,881		9,759
		39,889		42,872
Investments (note 3)		42,574		37,931
Capital assets (note 4)		1,782		1,796
	$	84,245	$	82,599
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	$	4,932	$	4,562
Designated and flowthrough gifts payable		1,366		8,884
Deferred campaign revenue		34,355		27,821
Deferred rent and capital contributions		1,226		1,046
		41,879		42,313
Accrued pension liability (note 5)		972		938
Net assets:				
Invested in capital assets (note 6)		1,334		1,796
Restricted for The Tomorrow Fund Endowment (note 7)		31,156		27,711
Unrestricted (note 8)		8,904		9,841
		41,394		39,348
Commitments (note 10)				
	$	84,245	$	82,599

See accompanying notes to financial statements.

On behalf of the Board: **Trustee** Martha Tory **Trustee** [illegible]

UNITED WAY OF GREATER TORONTO

Statement of Operations (In thousands of dollars)

Year ended December 31, 2003, with comparative figures for 2002		2003		2002
Fundraising revenue (note 1(a)):				
Campaign revenue	$	79,003	$	74,994
Bequests		565		474
		79,568		75,468
Pledge shrinkage		(1,979)		(1,873)
Total fundraising revenue		77,589		73,595
Investment income (loss)		3,262		(1,244)
Total revenue		80,851		72,351
Distributions and Community Programs:				
Allocation to United Way of Greater Toronto agencies and partners		43,482		40,571
Donor designations to United Way of Greater Toronto agencies and partners		1,575		1,494
Grant programs		2,760		2,356
Programs delivered by United Way of Greater Toronto		684		559
Joint Areawide campaign proceeds to partner United Ways		6,045		5,648
One-time donor specified donations to United Way of Greater Toronto programs, agency projects and grant programs (note 9)		2,072		1,379
Donor designations to other United Ways		1,339		1,982
Donor designations to other registered charities		9,160		6,705
		67,117		60,694
Expenses:				
Fundraising		10,858		10,424
Allocation and needs assessment		1,757		1,619
Amortization of capital assets, net of amortization of deferred capital contribution		393		586
Gross expenses		13,008		12,629
Recovery of joint Areawide campaign costs from partner United Ways		(476)		(494)
		12,532		12,135
Total distributions and expenses	$	79,649	$	72,829
Excess of revenue over distributions and expenses (distributions and expenses over revenue)	$	$ 1,202	$	(478)

See accompanying notes to financial statements.

UNITED WAY OF GREATER TORONTO

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

Year ended December 31, 2003, with comparative figures for 2002	2003				2002			
	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	$ 1,796	$ 27,711	$ 9,841	$ 39,348	$ 1,892	$ 27,746	$ 8,069	$ 37,707
Excess of revenue over distributions and expenses (distributions and expenses over revenue)	(393)	2,601	(1,006)	1,202	(586)	(2,154)	2,262	(478)
Endowment contributions	–	844	–	844	–	2,119	–	2,119
Invested in capital assets	(69)	–	69	–	490	–	(490)	–
Net assets, end of year	$ 1,334	$ 31,156	$ 8,904	$ 41,394	$ 1,796	$ 27,711	$ 9,841	$ 39,348

See accompanying notes to financial statements.

UNITED WAY OF GREATER TORONTO

Statement of Cash Flows (In thousands of dollars)

Year ended December 31, 2003, with comparative figures for 2002	2003	2002
Cash flows from operating activities:		
Excess of revenue over distributions and expenses (distributions and expenses over revenue)	$ 1,202	$ (478)
Items not involving cash:		
Amortization of capital assets	521	586
Amortization of lease inducement	227	227
Amortization of deferred capital contributions	(128)	–
Increase in accrued pension liability	34	341
Increase in deferred campaign revenue	6,534	1,746
Net change in non-cash working capital	(7,596)	4,488
Cash flows from operating activities	794	6,910
Cash flows from financing and investing activities:		
Purchase of capital assets	(507)	(490)
Deferred capital contributions	576	–
Endowment contributions received	844	2,119
Net increase in investments	(4,643)	(2,960)
Cash flows used in financing and investing activities	(3,730)	(1,331)
Increase (decrease) in cash and short-term deposits	(2,936)	5,579
Cash and short-term deposits, beginning of year	26,048	20,469
Cash and short-term deposits, end of year	$ 23,112	$ 26,048

See accompanying notes to financial statements.

UNITED WAY OF GREATER TORONTO

Notes to Financial Statements (In thousands of dollars)

Year ended December 31, 2003

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 2002 campaign and the related distributions made from the proceeds of that campaign in 2003. 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 2003 campaign will be reported in the 2004 financial statements. Funds received from the 2003 campaign to December 31, 2003 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 flowthrough agent to receive and disburse charitable funds on behalf of certain employers and employee groups. Funds received and disbursed under these flowthrough arrangements are not recorded as campaign revenue nor as distributions and expenses in 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.

United Way administers directly several programs to address homelessness, organizational development and evaluation which are funded jointly by United Way, a number of foundations and Federal and Municipal governments. The external funds are treated on a flowthrough basis with funds received and distributed and related expenses not recorded as revenue nor as disbursements in these 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%

Notes to Financial Statements (In thousands of dollars)

(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 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 17.5 years.

(f) Allocation of expenses:

Management and general administrative expenses are prorated between the expense categories for fundraising and for allocations and needs assessment based on effort involvement.

(g) 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, distributions and expenses and changes in net assets during the year. Actual results could differ from those estimates.

2. Prepaid expenses:

	2003	2002
Prepaid fundraising expenses related to 2003 campaign	$ 8,682	$ –
Prepaid fundraising expenses related to 2002 campaign	–	8,731
Tenant inducement annuity	267	364
Other	932	664
	$ 9,881	$ 9,759

3. Investments:

	2003		2002	
	Carrying value	Market value	Carrying value	Market value
Canadian fixed income securities	$ 5,913	$ 6,021	$ 5,813	$ 5,879
Canadian equities	7,060	7,795	7,361	6,752
Investments with The Toronto Community Foundation	29,601	29,601	24,757	24,757
	$ 42,574	$ 43,417	$ 37,931	$ 37,388

The Canadian fixed income securities produce a yield to maturity of 4.9% (2002 - 4.7%) and have a weighted average term to maturity of 9.33 years (2002 - 9.03 years).

The investments with The Toronto Community Foundation are in pooled funds which have a portfolio of 37% (2002 - 38%) Canadian fixed income securities and cash, 38% (2002 - 38%) Canadian equities, and 25% (2002 - 24%) U.S. and global equities.

4. Capital assets:

			2003	2002
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	$ 1,807	$ 1,279	$ 528	$ 506
Fundraising software	1,268	650	618	708
Furniture and fixtures	722	499	223	201
Leasehold improvements	1,161	780	381	376
Delivery van	36	4	32	5
	$ 4,994	$ 3,212	$ 1,782	$ 1,796

Notes to Financial Statements (In thousands of dollars)

5. Accrued pension liability:

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

	2003	2002
Accrued pension obligation:		
Balance, beginning of year	$ 5,427	$ 4,887
Current service cost	554	490
Interest cost	361	320
Benefits paid	(220)	(280)
Actuarial losses (gains)	(500)	10
Balance, end of year	5,622	5,427
Plan assets:		
Fair value, beginning of year	4,074	4,537
Annual return (loss) on plan assets	464	(351)
Employer contributions	446	43
Employees' contributions	165	125
Benefits paid	(220)	(280)
Fair value, end of year	4,929	4,074
Funded status - deficit	(693)	(1,353)
Unamortized net actuarial loss	12	726
Unamortized transitional asset	(291)	(311)
Accrued pension liability	$ (972)	$ (938)

The United Way's funded deficit amounted to $95 (2002 - $773) for its registered defined benefit plan and $598 (2002 - $580) for its unregistered defined benefit pension plan.

The accrued pension liability amounted to $588 (2000 - $596) for the registered plan and $384 (2002 - $342) for the unregistered defined benefit plan.

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

	2003	2002
Discount rate	6.5%	6.5%
Expected long-term rate of return on plan assets	6.5%	6.5%
Rate of compensation increase	3.0%	3.5%
Consumer Price Index increase	3.25%	3.5%

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

	2003	2002
Current service cost, net of employees' contributions	$ 389	$ 364
Interest cost	361	320
Expected return on plan assets	(261)	(330)
Amortization of transitional asset	(20)	(19)
Amortization of unrecognized net actuarial loss	11	6
Net pension plan expense	$ 480	$ 341

6. Invested in capital assets:

Invested in capital assets is comprised of the following:

	2003	2002
Capital assets	$ 1,782	$ 1,796
Deferred capital contributions	(448)	–
	$ 1,334	$ 1,796

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

	2003	2002
Excess of revenue over distributions and expenses (distributions and expenses over revenue):		
Amortization of capital assets	$ (521)	$ (586)
Amortization of deferred capital contributions	128	–
	(393)	(586)
Net change in invested in capital assets:		
Purchase of capital assets	507	490
Receipt of deferred capital contributions	(576)	–
	(69)	490
	$ (462)	$ (96)

7. 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:

	2003	2002
Externally restricted	$ 7,386	$ 6,156
Internally restricted	23,770	21,555
	$ 31,156	$ 27,711

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

	2003	2002
Investment income (loss) on:		
Internally restricted funds	$ 2,614	$ (1,144)
Externally restricted funds	574	(172)
Bequests	565	474
Distributions	(1,152)	(1,312)
Transfer from (to) Unrestricted to (from) The Tomorrow Fund Endowment	$ 2,601	$ (2,154)

Notes to Financial Statements (In thousands of dollars)

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).

	2003	2002
Endowment contributions	$ 844	$ 2,119

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 - 5 million. The balance at December 31, 2003 of $8.9 million will be reduced gradually over the next three years through specific community programs, totalling approximately $5.5 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) 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:

2004	$ 528
2005	549
2006	575
2007	607
2008	651
Thereafter	5,289
	$ 8,199

(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.

11. Flowthrough arrangements:

United Way received and distributed $11,441 (2002 - $9,401) under the flowthrough arrangements described in note 1(a) relating to the 2002 campaign (prior year amounts related to the 2001 campaign).

United Way received and distributed $1,096 (2002 - $808) under jointly funded programs as described in note 1(a).

12. 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 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.