

ROTARY CLUB OF TORONTO CHARITABLE FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

To the Members of Rotary Club of Toronto Charitable Foundation:

Qualified Opinion

We have audited the financial statements of Rotary Club of Toronto Charitable Foundation (the "Foundation"), which comprise the statement of financial position as at June 30, 2021, and the statements of operations and changes in fund balances, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at June 30, 2021, and the results of its operations and cash flows for the year then ended, in accordance with Canadian Accounting Standards for Not-For-Profit Organizations (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives a portion of its revenue from donations from the public, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were unable to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended June 30, 2021 and 2020, current assets as at June 30, 2021 and 2020, and fund balances as at July 1 and June 30 for both 2021 and 2020 years.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Matter

The financial statements of the company for the year ended June 30, 2020 were audited by another auditor who expressed a qualified opinion on those statements on December 16, 2020. The auditor qualified their report for the same reason cited in our report for 2021.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the financial reporting provisions of Accounting Standards for Not-For-Profit Organizations, 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis for accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

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

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Cambridge, Ontario
December 3, 2021

Racolta Jensen LLP

Racolta Jensen LLP
Chartered Professional Accountants
Licensed Public Accountants

**Rotary Club of Toronto Charitable
Foundation**

Statement of financial position

As at June 30, 2021

	Notes	2021 \$	2020 \$
Assets			
Current assets			
Cash		1,199,964	1,577,558
Investments	5	22,140,648	17,681,969
		23,340,612	19,259,527
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		246,805	221,278
Due to The Rotary Club of Toronto		—	3,884
		246,805	225,162
Fund balances			
Unrestricted			
General Fund		10,538,891	2,771,879
Jean K. Cowan Rotary Memorial Fund		—	3,601,529
Externally restricted			
The Laughlen Trust Fund		7,202,560	4,172,631
Andrew & Michael Westlake Memorial Fund		296,730	171,703
Pauline Hill Endowment Fund		126,552	72,609
Andras Family Endowment Fund		794,113	439,328
Gerry Nudds Endowment Fund		32,344	18,572
Marie McGee Fund - Polio	6	500,000	—
Cumulative Unrealized Gain on Investments Fund		3,602,617	7,786,114
		23,093,807	19,034,365
		23,340,612	19,259,527

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

On behalf of the Board of Directors

_____, Treasurer

_____, Director

**Rotary Club of Toronto Charitable
Foundation**
Statement of operations
Year ended June 30, 2021

	Notes	2021 \$	2020 \$
Revenue			
Dividend income		512,832	560,879
Realized gain on sale of investments		8,049,458	716,823
Donations	4 and 6	604,811	113,833
		9,167,101	1,391,535
Expenses			
Charitable donations	3 and 4	703,052	1,022,110
Other Expenses (Ex Rate Variation)		73,749	—
Administration and general			
The Rotary Club of Toronto	4	130,000	130,000
Professional services		17,048	10,122
Premiums on life insurance policy		313	2,073
		924,162	1,164,305
Excess of revenue over expenses before the under noted		8,242,939	227,230
Unrealized loss on investments		(4,183,497)	(1,076,197)
Excess (deficiency) of revenue over expenses		4,059,442	(848,967)

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

**Rotary Club of Toronto Charitable
Foundation**
Statement of changes in fund balances
Year ended June 30, 2021

	General Fund \$	Unrestricted Jean K. Cowan Rotary Memorial Fund \$	Restricted Funds \$	Cumulative Unrealized Gain on Investments Fund \$	2021 Total \$	2020 Total \$
			(Note 6)			
Fund balances, beginning of year	2,771,879	3,601,529	4,874,843	7,786,114	19,034,365	19,883,332
Merger/Transfer of Fund(s)	3,601,529	(3,601,529)		—	—	—
Excess (deficiency) of revenue over expenses	4,165,483	—	4,077,456	(4,183,497)	4,059,442	(848,967)
Fund balances, end of year	10,538,891	—	8,952,299	3,602,617	23,093,807	19,034,365

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

Rotary Club of Toronto Charitable Foundation
Statement of cash flows
Year ended June 30, 2021

	2021 \$	2020 \$
Operating activities		
Excess of revenue over expenditures	4,059,442	(848,967)
Items not affecting cash		
Movement in Fund Balance	—	—
Realized gain on sale of investments	(8,049,458)	(716,823)
Unrealized loss on investments	4,183,497	1,076,197
	193,481	(489,593)
Change in non-cash working capital items		
Accounts payable and accrued liabilities	25,523	212,389
Due from The Rotary Club of Toronto	(3,884)	8,726
	215,120	(268,478)
Investing activities		
Purchase of investments	(17,822,144)	(8,565,473)
Donated investments	(500,000)	(38,253)
Proceeds on disposal of investments	17,729,430	9,905,922
	(592,714)	1,302,196
Increase (decrease) in cash	(377,594)	1,033,718
Cash, beginning of year	1,577,558	543,840
Cash, end of year	1,199,964	1,577,558

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

Rotary Club of Toronto Charitable Foundation

Notes to the financial statements

June 30, 2021

1. Nature of the Foundation

Rotary Club of Toronto Charitable Foundation (the "Foundation") is a corporation authorized by Ontario charter to accept gifts and bequests and to administer the income and capital of the funds entrusted to it.

The Foundation is a charitable foundation and is exempt from income taxes under Section 149.1(1) of the Income Tax Act (Canada).

The Foundation is subject to the disbursement requirement set by the Canada Revenue Agency for Canadian charities and as at June 30, 2021, was in compliance with this requirement.

The Foundation is an entity which supports the charitable endeavors of the The Rotary Club of Toronto (the "Club"). Its primary mission is to fund charitable programs and activities in the City of Toronto, with the primary focus on downtown Toronto. The Foundation supports charitable organizations whose work directly benefits the quality of life in Toronto for children, youth, seniors and indigenous people, as disadvantaged and marginalized groups who are most vulnerable to the economic, social or environmental challenges of an urban environment, including the homeless, recent immigrants and the poor. It may, on occasion, support registered Canadian charities in relation to international projects and activities, or in providing disaster relief. The Foundation may also support charitable organizations whose work responds to the needs of the indigenous communities outside of Toronto, primarily within the Province of Ontario.

2. Summary of significant accounting policies

Basis of presentation

The financial statements of the Foundation are prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies.

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions, whereby funds that have been externally or internally restricted are segregated in separate funds in the financial statements. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended in accordance with the wishes of the donors.

Contributions are recognized as revenue in the appropriate fund in the year when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledges, due to their inherent nature, are not recorded in the financial statements until received. Investment income is recognized on the accrual basis.

Contributed goods and services

Contributed goods and services are not recognized in the financial statements, as their fair value is not reasonably determinable.

2. Summary of significant accounting policies (continued)

• Fund balances

Designated donations are credited to specific restricted funds as per the donor's wishes and undesignated donations are credited to the unrestricted funds. Investment income, including realized gains and losses are recognized in the Cumulative Unrealized Gain on Investments Fund. Restricted funds are charged with disbursements for non-designated charitable donations and a proportionate share of other expenses.

(a) Unrestricted funds

The General Fund and Jean K. Cowan Rotary Memorial Fund record the unrestricted activities of the Foundation. During the year the management elected to merge this Fund with the Foundation's General Fund.

(b) Restricted funds

While the funds are restricted as to its use, there are no restrictions over the disbursement amount of the restricted funds, subject to the objectives, policies and procedures for managing capital.

The Laughlen Trust Fund was established in 2011 and included the balance previously held in the Laughlen Fund, which had been established in 2005. The purpose of this fund is to serve the needs of senior citizens in the Province of Ontario with priority given to those in the Toronto area. \$ 3,207,311 (\$3,207,311 in 2020) in donations have been received by this fund since 2005, and charitable donations totaling \$1,750,349 (\$1,686,049 in 2020) have been expended from this fund.

The Andrew Westlake Memorial Fund was established in 1996. In 2019, the fund's name was changed to Andrew and Michael Westlake Memorial Fund. The purpose of this fund is to support charitable activities for areas of specific interest to the Westlake family, to reflect their sons' interests.

The Pauline Hill Endowment Fund was established in 2003. The purpose of this fund is to support charitable initiatives for the well-being of children prenatal to age six and needy mothers who are receiving public assistance. Funding comes from gifts, memorials and tribute giving designated to this fund.

The Andras Family Endowment Fund was established in 2008. The purpose of this fund is to support the general charitable purposes of the Club and the Foundation.

The Gerry Nudds Endowment Fund was established in 2008. The purpose of this fund is to support the charitable projects, including educational programs for the Rotaract Club of Toronto, supported by the Club.

The Marie McGee Endowment Fund was established this year ie; 2021. During the year the Foundation received a sum of \$500,000 from the executors of the estate of Marie McGee, all of such funds are to be directed to Polio Plus Fund, also known as End Polio Now, dedicated to polio immunization and eradication.

(c) Cumulative unrealized gain on investments fund

This fund holds the cumulative unrealized gain or loss on individual investments until the year in which an investment is disposed. Upon disposition, the cumulative gain or loss on each investment is relieved from this fund and recognized in the form of realized gains or losses to all other funds in proportion to their opening fund balances.

Rotary Club of Toronto Charitable Foundation

Notes to the financial statements

June 30, 2021

2. Summary of significant accounting policies (continued)

(c) Cumulative unrealized gain on investments fund (continued)

During the year the Foundation's Board decided to appoint a new firm, Nexus Investment Management to manage the Foundation's investments. The change resulted in the disposal of a major part of the investments giving rise to a significant amount of realized gain which was spread over the existing Fund balances.

Objectives, policies and procedures for managing capital

The foundation's capital is comprised of its fund balances as described above.

The Foundation's objectives when managing its capital are: (a) to provide funding to various charitable organizations so that they can continue to build and sustain an excellence in their performances and programs; (b) to preserve the long-term purchasing power of the Foundation's externally restricted funds to meet the expectation of donors and prospective donors and to ensure that a real (inflation protected) level of operating support for the Club is maintained; and (c) to cover the operating expenses of managing the Foundation's investments.

To achieve these objectives, the Foundation has established an Investment Policy Statement and Guidelines that are designed to achieve an appropriate balance between investment returns and risk by monitoring and following on a regular basis: (i) Investment mix, (ii) quality of investments, (iii) selection of investment managers and (iv) relative performance against similar funds.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for cash and investments. The Foundation has elected to use the fair value option to measure investments, with any subsequent changes in fair value recorded in statement of operations.

The Foundation's financial instruments and their respective measurement are as follows:

Asset/liability	Measurement
Cash	Fair value
Investments	Fair value
Due to/Due from The Rotary Club of Toronto	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists, the asset is written down and the resulting impairment loss is recognized in the statement of operations.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the period in which they become known.

Rotary Club of Toronto Charitable Foundation
Notes to the financial statements
June 30, 2021

3. Charitable donations expense

	2021	2020
	\$	\$
All Saints Church - Community Centre		10,000
Art Heart Community Art Centre	22,500	
Canadian Landmine Foundation (Westlake)	1,000	
Care Canada		5,000
Centennial Infant and Child Centre Fdn	1,000	
Child Development Institute Foundation	20,000	
Christie Refugee Welcome Centre	30,000	
Dancing with Parkinson's		15,000
Eli's Place Residential Treatment and Transitional	1,000	
FIFE House Foundation Inc.		15,000
Fort York Food Bank		5,000
Geneva Centre for Autism Foundation	15,000	
Gilda's Club Greater Toronto	12,000	
Haven Toronto	5,000	
Homes First Society		20,000
Honouring Indigenous Peoples (HIP) - (Andras Family)	5,000	
Hospice Toronto	30,000	
House of Compassion	25,000	
Jessie's The June Callwood Centre for Young women	2,500	
Lake Scugog United Church	7,000	10,000
New Visions Toronto	60,000	
Pine River Foundation	100,000	100,000
Planned Parenthood of Toronto	15,000	
Progress place	1,000	20,000
Rotary Club of Toronto Philanthropic Fund (Note 4)	187,252	317,474
Second Harvest		76,636
Shelterbox Canada	10,000	20,000
Sinfonia Toronto	15,000	
SKETCH		15,000
Sound Times Support Services	8,500	
SPRINT Senior Care	46,800	250,000
Street Health Foundation		10,000
The Cabbagetown Community Arts Center		8,000
The Hammer Band		10,000
The Rotary Foundation (Canada)	50,000	60,000
The Scott Mission	2,500	
The Speech & Stuttering Institute		10,000
Toronto General and Western Hospital Foundation		20,000
Victim Services Program of Toronto	10,000	
Women's Hostels Inc (Nellie's)	10,000	
Woodgreen Community Housing Inc		25,000
YWCA of Greater Toronto	10,000	
	703,052	1,022,110

Rotary Club of Toronto Charitable Foundation

Notes to the financial statements

June 30, 2021

4. The Rotary Club of Toronto

The Club is a not-for-profit service club, and a registered charity under the Income Tax Act and accordingly is exempt from income taxes. The Club's members provide community services locally, nationally and internationally. The Foundation is related to the Club as a result of shared management and given Board of Director members are drawn from the same membership. The Foundation supports the Club's philanthropic and charitable operations.

During the year, the Foundation donated an amount of \$187,252 (\$317,474 in 2020) to the Philanthropic Fund of the Club to support various philanthropic activities (note 3). Included in that amount, was \$64,300 (\$41,000 in 2020) in support of the Senior Citizens Committee and \$34,279 (\$100,000 in 2020) for COVID-19 relief. In addition, \$130,000 (\$130,000 in 2020) was paid to the Operating Fund of the Club for reimbursement of administration services provided.

5. Investments

	2021 \$	2020 \$
Common stock	13,374,168	13,450,318
Preferred shares	50,920	978,273
Bonds	—	583,820
Banker acceptances	—	1,599,304
Income fund	7,792,516	—
Other	923,044	1,070,254
	22,140,648	17,681,969

Rotary Club of Toronto Charitable Foundation
Notes to the financial statements
June 30, 2021

6. Restricted funds

	The Laughlen Trust Fund	Andrew & Michael Westlake Memorial Fund	Pauline Hill Endowment Fund	Andras Family Endowment Fund	Gerry Nudds Endowment Fund	Marie McGee Endowment Fund	2021 Total	2020 Total
	\$	\$	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year	4,172,631	171,703	72,609	439,328	18,572	-	4,874,843	4,698,662
Excess of revenue over expenses before the following	3,094,229	127,327	53,843	325,785	13,772	-	3,614,956	484,108
Donations received	-	2,700	100	40,000		500,000	542,800	33,775
Charitable donations	(64,300)	(5,000)	-	(11,000)	-	-	(80,300)	(341,702)
Fund balances, end of year	7,202,560	296,730	126,552	794,113	32,344	500,000	8,952,299	4,874,843

7. Financial instruments

The Foundation is exposed to various risks through its financial instruments. The Foundation's main financial instrument risk exposure is detailed as follows and remains unchanged from the prior year.

Concentration risk

The Foundation is subject to concentration risk as it maintains its cash balances at a high quality financial institution in Ontario which, from time to time, may exceed the insured amount of \$100,000 provided by the Canadian Depository Insurance Corporation. As at June 30, 2021 the Foundation holds \$362,557 (\$272,076 in 2020) with its bank and \$837,407 (\$1,305,482 in 2020) with its custodian. To the extent that the Foundation holds positions in a particular sector or asset class, the Foundation is subject to an increased risk that its investments in that particular sector may decline because of changing expectations for the performance of that sector. The Foundation holds a diversified investment portfolio and accordingly does not have significant sector or asset class concentration risk.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk, and other price risk.

(a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk on the fixed income investments held in its investment portfolio, which subject the Foundation to fair value risk.

(b) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. An amount of \$4,737,431 USD (\$3,606,307 USD in 2020), comprising approximately 28% (28% in 2020) of the Foundation's investments are denominated in US dollars. These amounts have been converted into Canadian dollars at the prevailing foreign exchange rate as of June 30, 2021. Consequently, these assets are exposed to foreign exchange fluctuations.

(c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is exposed to other price risk through its investments in publicly traded shares and bonds.

8. Commitments

The Foundation is committed as at June 30, 2021 to charitable donations to other organizations totaling \$500,000. \$500,000 of which is due no later than 2024. These amounts will be expensed when paid.

9. COVID-19 Pandemic

On March 11, 2020, the World Health Organization characterised the outbreak of a strain of the novel coronavirus ("COVID-19) as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Foundation in future periods.