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Financial statements of  
Rotary Club of Toronto  
Charitable Foundation

June 30, 2020

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## Independent Auditor's Report

To the Board of Directors 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, 2020, and the statements of operations, 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 (collectively referred to as the "financial statements").

In our opinion, except for the possible 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, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from donations from the public, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donations revenue, (deficiency) excess of revenue over expenses, and cash flows from operations for the years ended June 30, 2020 and 2019, current assets as at June 30, 2020 and 2019, and fund balances as at July 1 and June 30 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended June 30, 2019 was modified accordingly because of the possible effects of this scope limitation.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's 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 audit opinion.

### Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian 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 of 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.

## **Auditor's 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 auditor's 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 GAAS 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 GAAS, 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 auditor's 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 auditor's 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.

The image shows the signature of Deloitte LLP in a cursive, handwritten style.

Chartered Professional Accountants  
Licensed Public Accountants  
December 18, 2020

## Rotary Club of Toronto Charitable Foundation

### Statement of operations

Year ended June 30, 2020

	Notes	2020 \$	2019 \$
<b>Revenue</b>			
Dividend income		560,879	595,964
Realized gain (loss) on sale of investments		716,823	(26,023)
Donations	4 and 6	113,833	165,880
		<b>1,391,535</b>	735,821
<b>Expenses</b>			
Charitable donations	3 and 4	1,022,110	624,866
Administration and general			
The Rotary Club of Toronto	4	130,000	115,000
Professional services		10,122	13,269
Premiums on life insurance policy		2,073	313
		<b>1,164,305</b>	753,448
Excess (deficiency) of revenue over expenses before the undernoted		227,230	(17,627)
Unrealized (loss) gain on investments		(1,076,197)	1,065,054
<b>(Deficiency) excess of revenue over expenses</b>		<b>(848,967)</b>	1,047,427

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, 2020

	General Fund \$	Unrestricted Jean K. Cowan Rotary Memorial Fund \$	Restricted Funds \$	Cumulative Unrealized Gain on Investments Fund \$	2020 Total \$	2019 Total \$
			(Note 6)			
<b>Fund balances, beginning of year</b>	<b>2,749,677</b>	<b>3,572,682</b>	<b>4,698,662</b>	<b>8,862,311</b>	<b>19,883,332</b>	18,835,905
(Deficiency) excess of revenue over expenses	<b>22,202</b>	<b>28,847</b>	<b>176,181</b>	<b>(1,076,197)</b>	<b>(848,967)</b>	1,047,427
<b>Fund balances, end of year</b>	<b>2,771,879</b>	<b>3,601,529</b>	<b>4,874,843</b>	<b>7,786,114</b>	<b>19,034,365</b>	19,883,332

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

## Rotary Club of Toronto Charitable Foundation

### Statement of financial position

As at June 30, 2020

	Notes	2020 \$	2019 \$
<b>Assets</b>			
Current assets			
Cash		<b>1,577,558</b>	543,840
Due from The Rotary Club of Toronto	4	—	4,842
		<b>1,577,558</b>	548,682
Investments	5	<b>17,681,969</b>	19,343,539
		<b>19,259,527</b>	19,892,221
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		<b>221,278</b>	8,889
Due to The Rotary Club of Toronto	4	<b>3,884</b>	—
		<b>225,162</b>	8,889
<b>Fund balances</b>			
Unrestricted			
General Fund		<b>2,771,879</b>	2,749,677
Jean K. Cowan Rotary Memorial Fund		<b>3,601,529</b>	3,572,682
Externally restricted			
The Laughlen Trust Fund	6	<b>4,172,631</b>	4,046,696
Andrew & Michael Westlake Memorial Fund		<b>171,703</b>	155,213
Pauline Hill Endowment Fund		<b>72,609</b>	65,827
Andras Family Endowment Fund		<b>439,328</b>	414,089
Gerry Nudds Endowment Fund		<b>18,572</b>	16,837
Cumulative Unrealized Gain on Investments Fund		<b>7,786,114</b>	8,862,311
		<b>19,034,365</b>	19,883,332
		<b>19,259,527</b>	19,892,221

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 cash flows

Year ended June 30, 2020

	2020	2019
	\$	\$
<b>Operating activities</b>		
(Deficiency) excess of revenue over expenses	<b>(848,967)</b>	1,047,427
Items not affecting cash		
Realized (gain) loss on sale of investments	<b>(716,823)</b>	26,023
Unrealized loss (gain) on investments	<b>1,076,197</b>	(1,065,054)
	<b>(489,593)</b>	8,396
Change in non-cash working capital items		
Accounts payable and accrued liabilities	<b>212,389</b>	751
Due from/(to) The Rotary Club of Toronto	<b>8,726</b>	1,551
	<b>(268,478)</b>	10,698
<b>Investing activities</b>		
Purchase of investments	<b>(8,565,473)</b>	(9,539,921)
Donated investments	<b>(38,253)</b>	(43,679)
Proceeds on disposal of investments	<b>9,905,922</b>	9,263,450
	<b>1,302,196</b>	(320,150)
Increase (decrease) in cash	<b>1,033,718</b>	(309,452)
Cash, beginning of year	<b>543,840</b>	853,292
<b>Cash, end of year</b>	<b>1,577,558</b>	543,840

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

# Rotary Club of Toronto Charitable Foundation

## Notes to the financial statements

June 30, 2020

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### 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, 2020, was in compliance with this requirement.

The Foundation is an entity which supports the charitable endeavors of 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 well 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.

## Rotary Club of Toronto Charitable Foundation

### Notes to the financial statements

June 30, 2020

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## 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 allocated to all funds in proportion to opening fund balances. Unrealized gains and losses are recognized in the Cumulative Unrealized Gain on Investments Fund. Restricted funds are charged with disbursements for designated charitable donations and with a proportionate share of other expenses. Unrestricted 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.

#### *(b) Restricted funds*

While the funds are restricted as to 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 2019) in donations have been received by this fund since 2005, and charitable donations totaling \$1,686,049 (\$1,395,049 in 2019) have been expended from this fund.

The Andrew Westlake Memorial Fund was established in 1996. In 2019, the fund's name was changed to the 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.

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.

#### *(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, 2020

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## 2. Summary of significant accounting policies (continued)

### *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 the 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/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, 2020

### 3. Charitable donations expense

	2020	2019
	\$	\$
All Saints Church - Community Centre	<b>10,000</b>	—
Andrew Westlake Memorial Race	—	600
Big on Beagles Rescue	—	1,000
Canadian Landmine Foundation	—	1,000
Care Canada	<b>5,000</b>	5,000
Covenant House Toronto	—	1,000
Dancing with Parkinson's	<b>15,000</b>	—
Dixon Hall	—	18,000
Emmanuel International Canada	—	1,000
FIFE House Foundation Inc.	<b>15,000</b>	100,000
Fort York Food Bank	<b>5,000</b>	—
Georian Bay Forever	—	3,000
Glen Rhodes United Church	—	600
Honouring Indigenous Peoples	—	8,000
Homes First Society	<b>20,000</b>	—
Lake Scugog United Church Camp Inc.	<b>10,000</b>	6,000
Pine River Foundation	<b>100,000</b>	—
Rotary Club of Toronto - Philanthropic Fund (Note 4)	<b>317,474</b>	212,622
Second Harvest	<b>76,636</b>	—
ShelterBox Canada	<b>20,000</b>	30,000
Sistering - a Woman's Place	—	11,000
SKETCH	<b>15,000</b>	5,000
SPRINT Senior Care	<b>250,000</b>	125,000
Street Health Foundation	<b>10,000</b>	—
The Cabbagetown Community Arts Center	<b>8,000</b>	—
The Hammer Band	<b>10,000</b>	—
The Rotary Foundation (Canada)	<b>60,000</b>	50,000
The Stop Community Food Centre	—	5,000
The Speech & Stuttering Institute	<b>10,000</b>	—
Toronto Centre for Community Learning & Development	—	41,044
Toronto General and Western Hospital Foundation	<b>20,000</b>	—
Progress Place	<b>20,000</b>	—
Woodgreen Community Housing Inc.	<b>25,000</b>	—
	<b>1,022,110</b>	<b>624,866</b>

## Rotary Club of Toronto Charitable Foundation

### Notes to the financial statements

June 30, 2020

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#### 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.

The balance of \$3,884 due to the Club (\$4,842 due from in 2019) relates to the net proceeds from committee and special event activities of the Club. This balance is non-interest bearing and due on demand.

During the year, the Foundation donated an amount of \$317,474 (\$212,622 in 2019) to the Philanthropic Fund of the Club to support various philanthropic activities (Note 3). Included in that amount, was \$41,000 (\$25,000 in 2019) in support of the Senior Citizens committee and \$100,000 (nil in 2019) for COVID-19. In addition, \$130,000 (\$115,000 in 2019) was paid to the Operating Fund of the Club for reimbursement of administration services provided.

The Foundation recognized as donations received from the Club in an amount of nil (\$79,134 in 2019), being the surplus from the Club's annual fundraising events.

#### 5. Investments

	<b>2020</b>	2019
	<b>\$</b>	\$
Common stock	<b>13,450,318</b>	13,905,635
Preferred shares	<b>978,273</b>	1,049,870
Bonds	<b>583,820</b>	573,560
Banker acceptances	<b>1,599,304</b>	2,093,284
Other	<b>1,070,254</b>	1,721,190
	<b>17,681,969</b>	19,343,539

**Rotary Club of Toronto Charitable Foundation**

**Notes to the financial statements**

June 30, 2020

**6. Restricted funds**

	<b>The Laughlen Trust Fund</b>	<b>Andrew &amp; Michael Westlake Memorial Fund</b>	<b>Pauline Hill Endowment Fund</b>	<b>Andras Family Endowment Fund</b>	<b>Gerry Nudds Endowment Fund</b>	<b>2020 Total</b>	<b>2019 Total</b>
	\$	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year	<b>4,046,696</b>	<b>155,213</b>	<b>65,827</b>	<b>414,089</b>	<b>16,837</b>	<b>4,698,662</b>	4,661,549
Excess of revenue over expenses before the following	<b>416,935</b>	<b>15,992</b>	<b>6,782</b>	<b>42,664</b>	<b>1,735</b>	<b>484,108</b>	186,384
Donations received	—	<b>2,700</b>	—	<b>31,075</b>	—	<b>33,775</b>	32,929
Charitable donations	<b>(291,000)</b>	<b>(2,202)</b>	—	<b>(48,500)</b>	—	<b>(341,702)</b>	(182,200)
Fund balances, end of year	<b>4,172,631</b>	<b>171,703</b>	<b>72,609</b>	<b>439,328</b>	<b>18,572</b>	<b>4,874,843</b>	4,698,662

## Rotary Club of Toronto Charitable Foundation

### Notes to the financial statements

June 30, 2020

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#### 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, 2020, the Foundation holds \$272,076 (\$191,531 in 2019) with its bank and \$1,305,482 (\$352,309 in 2019) 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 or 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 or 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 \$4,911,213 (\$4,271,577 in 2019), comprising approximately 28% (22.1% in 2019) 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, 2020. 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, 2020 to charitable donations to other organizations totaling \$500,000, \$250,000 of which is due in 2021. and the remaining amount of \$250,000 in 2022. These amounts will be expensed when paid.

## **Rotary Club of Toronto Charitable Foundation**

### **Notes to the financial statements**

June 30, 2020

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#### **9. COVID-19 Pandemic**

On March 11 2020, the World Health Organization characterized 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.

#### **10. Comparative figures**

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