

THE ROTARY CLUB OF TORONTO
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

To the Members of The Rotary Club of Toronto:

Qualified Opinion

We have audited the financial statements of The Rotary Club of Toronto (the "Club"), 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 Club 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 Club 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 Club. 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 Club 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 Club'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 Club or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Club'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 Club'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 Club'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 Club 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
November 17, 2021

Racolta Jensen LLP

Racolta Jensen LLP
Chartered Professional Accountants
Licensed Public Accountants

The Rotary Club of Toronto
Statement of financial position
As at June 30, 2021

	Notes	Operating Fund \$	Philanthropic Fund \$	Total 2021 \$	Total 2020 \$
Assets					
Current assets					
Cash		20,856	318,574	339,430	182,318
Accounts receivable		7,816	124	7,940	31,661
Prepaid expenses		3,248	4,300	7,548	13,013
Inter-fund balance		258,749	(258,749)	—	—
Due from Foundation		—	—	—	3,884
		290,669	64,249	354,918	230,876
Investments					
	3	—	798,323	798,323	701,231
		290,669	862,572	1,153,241	932,107
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	4	12,808	11,658	24,466	49,852
Deferred contributions	6	—	29,398	29,398	50,856
Deferred revenue		—	41,990	41,990	49,113
		12,808	83,046	95,854	149,821
Fund balances					
Internally restricted for designated project		—	68,781	68,781	51,503
Unrestricted		277,861	710,745	988,606	730,783
		277,861	779,526	1,057,387	782,286
		290,669	862,572	1,153,241	932,107

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

On behalf of the Board of Directors

_____,
Director

_____,
Director

The Rotary Club of Toronto
Statement of operations and changes in fund balances

Year ended June 30, 2021

	Notes	Operating Fund \$	Philanthropic Fund \$	Total 2021 \$	Total 2020 \$
Revenue					
Lunch plan		80	—	80	142,750
Membership dues		117,054	—	117,054	127,781
Miscellaneous		2,278	2,786	5,064	17,138
Entrance fees		—	—	—	1,500
Bequests - J Dawson		—	136,422	136,422	—
Restricted donations (Schedule 1)		—	56,727	56,727	121,136
Donations from Rotary Club of Toronto Charitable Foundation	5	—	187,252	187,252	317,474
Funds raised by Special Events Committee (Schedule 1)		—	895	895	26,267
Investment (loss) income		—	127,835	127,835	(17,991)
Other donations		—	7,340	7,340	18,841
		119,412	519,257	638,669	754,896
Philanthropic expenses					
Committee activities (Schedule 1)		—	169,973	169,973	229,971
Restricted projects (Schedule 1)		—	56,727	56,727	121,136
Special events (Schedule 1)		—	17,908	17,908	69,875
General		—	1,943	1,943	3,484
		—	246,551	246,551	424,466
Operating expenses (Schedule 2)		247,017	—	247,017	417,348
Recovery from Rotary Club of Toronto Charitable Foundation	5	(130,000)	—	(130,000)	(130,000)
		117,017	—	117,017	287,348
Excess of revenue over expenses		2,395	272,706	275,101	43,082
Fund balances, beginning of year		212,466	569,820	782,286	739,204
Previous Year Lunch Revenue Adjustment		(5,000)	5,000	—	—
Inter-fund transfer	7	68,000	(68,000)	—	—
Fund balances, end of year		277,861	779,526	1,057,387	782,286

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

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

	2021	2020
	\$	\$
Operating activities		
Excess of revenue over expenses	275,101	43,082
Items not affecting cash		
Realized gains on sale of investments	(286,276)	(14,699)
Unrealized gains on investments	180,560	59,939
	169,385	88,322
Change in non-cash working capital items		
Accounts receivable	23,721	(13,288)
Prepaid expenses	5,465	(285)
Accounts payable and accrued liabilities	(25,387)	(9,853)
Due from/(to) Foundation	(3,884)	(8,726)
Deferred contributions	(8,866)	(24,381)
Deferred revenue	(19,715)	46,203
Internally restricted funds	(17,278)	—
	123,441	77,992
Investing activities		
Proceeds on sale of investments	795,358	41,386
Purchase of investments	(761,687)	(57,799)
	33,671	(16,413)
Increase in cash during the year	157,112	61,579
Cash, beginning of year	182,318	120,739
Cash, end of year	339,430	182,318

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

1. Nature of the organization

The Rotary Club of Toronto (the "Club") was incorporated without share capital under the laws of Ontario, and is a not-for-profit service club. Its members provide community services both locally and internationally. The Club is exempt from income taxes under Section 149.1(1) of the Income Tax Act (Canada) and is a registered charity.

2. Summary of significant accounting policies

Basis of presentation

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

Revenue recognition and fund balances

The Club follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received. Contributions externally restricted are deferred and recognized as revenue in the year in which the related expenses are incurred. No recognition has been given to pledges.

The Operating Fund records membership fees, lunch plan revenue and miscellaneous revenues, which are recorded as earned. Fees received in advance are deferred.

Revenue raised by the Club, which is designated to be used for philanthropic activities, including donations directed to other registered charities, is allocated to the Philanthropic Fund. Proceeds received for philanthropic events in advance are deferred and recognized when the event occurs.

The Internally Restricted for Use in Designated Projects Fund records funds designated by the Club's Board of Directors to be used for undertaking special projects. Those internally restricted net assets are not available for use without the approval of the Board of Directors.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Club 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 club has elected to use the fair value option to measure investments, with any subsequent changes in fair value recorded in the statement of operations and changes in fund balances.

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

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

2. Summary of significant accounting policies (continued)

Basis of presentation

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 and changes in fund balances.

Contributed goods and services

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

Charity disbursement requirement

The Club 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.

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.

3. Investments

During the year the Club's Board decided to appoint a new firm, Nexus Investment Management to manage the Club's investments.

	2021	2020
Philanthropic Fund	\$	\$
Fixed income	605,471	178,144
Shares and trusts units	192,852	509,165
Cash surrender value of life insurance Policy	NIL	13,922
	798,323	701,231

4. Accounts payable and accrued liabilities

	2021	2020
	\$	\$
Trade accounts payable and accrued liabilities	24,466	49,852

5. Rotary Club of Toronto Charitable Foundation

The Club's operations and philanthropic activities are supported by the Rotary Club of Toronto Charitable Foundation ("Foundation"). The Foundation is a charitable foundation and is exempt from income taxes under section 149 of the Income Tax Act (Canada). 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. The Club exercises control over the Foundation by virtue of shared management and given that Board of Director members are drawn from the same membership.

Rotary Club of Toronto Charitable Foundation – financial position as at June 30:

	2021	2020
	\$	\$
Total assets	23,340,612	19,259,527
Total liabilities	246,806	225,162
Net fund balances	23,093,806	19,034,365

Rotary Club of Toronto Charitable Foundation – results of operations for the year ended June 30:

	2021	2020
	\$	\$
Total revenue	9,167,101	1,391,535
Total expenses	924,162	1,164,305
Excess (deficiency) of revenue over expenses	8,242,939	227,230
Before the undernoted		
Unrealized (loss) gain on investments	(4,183,497)	(1,076,197)
(Deficiency) of revenue over expenses for the year	4,059,442	(848,967)

Rotary Club of Toronto Charitable Foundation – cash flows for the year ended June 30

	2021	2020
	\$	\$
Cash (used) provided by operating activities	215,119	(268,478)
Cash provided (used) by investing activities	(592,713)	1,302,196
	(377,594)	1,033,718

As at June 30, 2021 the Foundation has \$8,952,299 (\$4,874,843 in 2020) in Restricted funds.

During the year, the Philanthropic Fund of the Club received donations from the Foundation in the amount of \$187,252 (\$317,474 in 2020), recognized as donations from Rotary Club of Toronto Charitable Foundation, including \$34,279 (\$100,000 in 2020) for COVID-19.

In addition, the Operating Fund of the Club received \$130,000 (\$130,000 in 2020) from the Foundation as a contribution towards administration services provided.

6. Deferred contributions

Deferred contributions in the Philanthropic Fund represent unspent externally restricted donations, as follows:

	2021	2020
	\$	\$
Balance, beginning of year	50,856	75,237
Donations received and deferred	35,269	87,328
Donations disbursed and recognized as revenue	(56,727)	(111,709)
Balance, end of year	29,398	50,856

7. Inter-fund transfer

The Philanthropic Fund recorded \$68,000 (\$68,000 in 2020) as payable to the Operating Fund to account for shared operating expenses.

8. Financial instruments

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

Concentration risk

The Club 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 Club holds \$339,430 (\$182,318 in 2020) with its bank and \$NIL with its custodian.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Club's main credit risks relate to its accounts receivable and accrued interest receivable and the bonds, included in investments. The Club manages this risk through proactive collection practices and by engaging the services investment managers to manage its portfolio investments.

Liquidity risk

The Club's liquidity risk represents the risk that the Club could encounter difficulty in meeting obligations associated with its financial liabilities. The Club manages its liquidity risk by constantly monitoring forecasted and actual cash flow and financial liability maturities.

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 risks.

(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 Club is exposed to interest rate risk on the fixed income investments held in its investment portfolio, which subject the Club 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 \$NIL (\$115,037 in 2020), comprising approximately NIL (16% in 2020) of the Club'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 not 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 Club is exposed to other price risk through its investments in publicly traded shares and bonds.

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 Club in future periods.

The Rotary Club of Toronto
Schedule 1 – Philanthropic Fund Revenue and Expenses
Year ended June 30, 2021

	2021	2020
	\$	\$
Fundraising by Special Events Committee revenue		
Golf Day	—	22,819
Ace of Clubs	—	2,933
Other Revenue	895	515
	895	26,267
Restricted donations revenue and related expenses		
International Service	52,280	87,907
Scholarship Committee	—	3,053
Indigenous Service	475	12,542
Community Services	3,972	5,232
Youth and Children Service	—	5,197
Children's Christmas Party	—	2,270
Senior's Christmas Party	—	3,030
RI Challenge Walk	—	1,905
	56,727	121,136
Committee activities expenses		
Community Service	9,577	11,576
Youth and Children Service	15,000	28,965
Indigenous Service	8,225	15,000
Women's Initiatives	5,000	15,000
International Service	33,839	15,467
Scholarship Committee	30,782	32,463
Senior Citizens	9,250	8,000
Environment	16,500	13,500
Covid Special Foundation Grant	41,800	90,000
	169,973	229,971
Special events expenses		
Senior's Christmas Party	—	21,350
Children's Christmas Party	—	23,205
Golf Day	—	10,640
Other Projects	17,908	14,268
Assistance to Other Rotary Club	—	412
	17,908	69,875

The Rotary Club of Toronto
Schedule 2 - Operating Fund Operating Expenses
Year ended June 30, 2021

		2021	2020
		\$	\$
Office			
	Salaries and benefits	150,587	142,998
	Rent	13,935	20,902
	Professional fees	13,009	10,166
	Computer software	10,842	12,747
	Maintenance and repair	1,060	2,818
	Telephone	5,530	6,142
	Miscellaneous	4,702	7,848
	Insurance	4,352	3,249
	Stationery, printing, and supplies	2,262	5,004
	Amortization of equipment	3,361	2,644
		209,640	214,518
General			
	Lunch plan costs	9,149	135,589
	Conferences and conventions	(2,914)	15,210
	Program and Friday meetings	222	7,825
	Sundry including branding	6,502	3,145
	Fellowship events	100	5,799
	Presentations and club awards	2,000	2,063
	Badges, pins, and banners	—	601
		15,059	170,232
Rotary communications			
	Printing	—	5,772
		—	5,772
Rotary per capital levies			
	Rotary International	17,668	18,411
	District 7070	4,650	8,415
		22,318	26,826
		247,017	417,348