
Financial statements of The Rotary Club of Toronto

June 30, 2020

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Independent Auditor's 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, 2020, and the statements of operations and changes in fund balances, and of 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 Club 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 Club 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 Club and we were not able to determine whether any adjustments might be necessary to revenue, deficiency 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 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 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 Club'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 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.

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 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 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 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.

The image shows a handwritten signature in cursive script that reads "Deloitte LLP". The signature is written in dark ink on a white background.

Chartered Professional Accountants
Licensed Public Accountants
December 16, 2020

The Rotary Club of Toronto
Statement of operations and changes in fund balances
Year ended June 30, 2020

	Notes	Operating Fund	Philanthropic Fund	Total 2020	Total 2019
		\$	\$	\$	\$
Revenue					
Lunch plan		142,750	—	142,750	150,417
Membership dues		127,781	—	127,781	117,186
Miscellaneous		10,372	6,766	17,138	37,350
Entrance fees		1,500	—	1,500	3,300
Restricted donations (Schedule 1)		—	121,136	121,136	126,213
Donations from Rotary Club of Toronto Charitable Foundation	5	—	317,474	317,474	212,622
Funds raised by Special Events Committee (Schedule 1)		—	26,267	26,267	145,917
Investment (loss) income		—	(17,991)	(17,991)	37,309
Other donations		—	18,841	18,841	3,084
		282,403	472,493	754,896	833,398
Philanthropic expenses					
Committee activities (Schedule 1)		—	229,971	229,971	167,396
Restricted projects (Schedule 1)		—	121,136	121,136	126,213
Special events (Schedule 1)		—	69,875	69,875	104,862
Donation to Rotary Club of Toronto Charitable Foundation General	5	—	—	—	79,134
		—	3,484	3,484	4,180
		—	424,466	424,466	481,785
Operating expenses (Schedule 2)	9	417,348	—	417,348	480,111
Recovery from Rotary Club of Toronto Charitable Foundation	5	(130,000)	—	(130,000)	(115,000)
		287,348	—	287,348	365,111
Excess (deficiency) of revenue over expenses before undernoted		(4,945)	48,027	43,082	(13,498)
Recovery of operating expenses - RI Convention 2018 HOC	9	—	—	—	11,400
Excess (deficiency) of revenue over expenses		(4,945)	48,027	43,082	(2,098)
Fund balances, beginning of year		149,411	589,793	739,204	741,302
Inter-fund transfer	7	68,000	(68,000)	—	—
Fund balances, end of year		212,466	569,820	782,286	739,204

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

The Rotary Club of Toronto
Statement of financial position
As at June 30, 2020

	Notes	Operating Fund \$	Philanthropic Fund \$	Total 2020 \$	Total 2019 \$
Assets					
Current assets					
Cash		27,714	154,604	182,318	120,739
Accounts receivable		21,597	10,064	31,661	18,373
Prepaid expenses		8,713	4,300	13,013	12,728
Inter-fund balance		184,717	(184,717)	—	—
Due from Foundation	5	3,884	—	3,884	—
		246,625	(15,749)	230,876	151,840
Investments	3	—	701,231	701,231	730,058
		246,625	685,482	932,107	881,898
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	4	33,966	15,886	49,852	59,705
Due to Foundation	5	—	—	—	4,842
Deferred contributions	6	—	50,856	50,856	75,237
Deferred revenue		193	48,920	49,113	2,910
		34,159	115,662	149,821	142,694
Fund balances					
Internally restricted for designated projects		—	51,503	51,503	36,577
Unrestricted		212,466	518,317	730,783	702,627
		212,466	569,820	782,286	739,204
		246,625	685,482	932,107	881,898

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 cash flows

Year ended June 30, 2020

	2020	2019
	\$	\$
Operating activities		
Deficiency of revenue over expenses	43,082	(2,098)
Items not affecting cash		
Realized gains on sale of investments	(14,699)	—
Unrealized gains (loss) on investments	59,939	(9,826)
	88,322	(11,924)
Change in non-cash working capital items		
Accounts receivable	(13,288)	28,291
Prepaid expenses	(285)	(1,115)
Accounts payable and accrued liabilities	(9,853)	(33,734)
Due from/(to) Foundation	(8,726)	(1,551)
Deferred contributions	(24,381)	(44,398)
Deferred revenue	46,203	1,212
	77,992	(63,219)
Investing activities		
Proceeds on sale of investments	41,386	72,500
Purchase of investments	(57,799)	(11,100)
	(16,413)	61,400
Increase (decrease) in cash during the year	61,579	(1,819)
Cash, beginning of year	120,739	122,558
Cash, end of year	182,318	120,739

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 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

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.

2. Summary of significant accounting policies (continued)

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, 2020, 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

	2020	2019
	\$	\$
Philanthropic Fund		
Fixed income	178,144	117,745
Shares and trust units	509,165	598,168
Cash surrender value of life insurance policy	13,922	14,145
	701,231	730,058

4. Accounts payable and accrued liabilities

	2020	2019
	\$	\$
Trade accounts payable and accrued liabilities	49,852	55,985
Government remittances payable	—	3,720
	49,852	59,705

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

	2020	2019
	\$	\$
Total assets	19,259,527	19,892,221
Total liabilities	225,162	8,889
Net fund balances	19,034,365	19,883,332

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

	2020	2019
	\$	\$
Total revenue	1,391,535	735,821
Total expenses	1,164,305	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
(Deficiency) of revenue over expenses for the year	(848,967)	1,047,427

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

	2020	2019
	\$	\$
Cash (used) provided by operating activities	(268,478)	10,698
Cash provided (used) by investing activities	1,302,196	(320,150)
Increase (decrease) in cash	1,033,718	(309,452)

As at June 30, 2020 the Foundation has \$4,874,843 (\$4,698,662 in 2019) in Restricted funds.

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

During the year, the Philanthropic Fund of the Club received donations from the Foundation in the amount of \$317,474 (\$212,622 in 2019), recognized as donations from Rotary Club of Toronto Charitable Foundation, including \$100,000 (\$Nil in 2019) for COVID-19.

5 Rotary Club of Toronto Charitable Foundation (continued)

In addition, the Operating Fund of the Club received \$130,000 (\$115,000 in 2019) from the Foundation as a contribution towards administration services provided.

The Club approved and made a donation to the Foundation of \$Nil (\$79,134 in 2019), being the surplus from annual fundraising events.

6. Deferred contributions

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

	2020	2019
	\$	\$
Balance, beginning of year	75,237	119,635
Donations received and deferred	87,328	151,927
Donations disbursed and recognized as revenue	(111,709)	(196,325)
Balance, end of year	50,856	75,237

7. Inter-fund transfer

The Philanthropic Fund transferred \$68,000 (\$68,000 in 2019) 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 follows 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 Canadian Depository Insurance Corporation. As at June 30, 2020, the Club holds \$169,623 (\$118,794 in 2019) with its bank and \$12,695 (\$1,945 in 2019) 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 of 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.

8 Financial instruments (continued)

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 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 \$76,522 (\$115,037 in 2019), comprising approximately 11% (16% in 2019) 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, 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 Club is exposed to other price risk through its investments in publicly-traded shares and bonds.

9. Loan receivable from RI Convention 2018 HOC

During the year ended June 30, 2018, The Club provided \$50,000, through its Operating fund, to The Rotary International ("RI") 2018 Host Organizing Committee ("HOC") in support of the Toronto held RI Convention 2018. This amount was included in Operating expenses in 2018.

As at June 30, 2018, an amount of \$25,000 was committed to being repaid, and was included on the Statement of financial position as "Loan receivable from RI Convention 2018 HOC", and as "Recovery of operating expenses – RI Convention 2018 HOC" on the Statement of operations, during the year ended June 30, 2018. During the year ended June 30, 2019, an amount of \$36,400 was repaid and the additional amount of \$11,400 was included as "Recovery of operating expenses – RI Convention 2018 HOC" on the Statement of operations.

10. 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 Club in future periods.

The Rotary Club of Toronto**Schedule 1 – Philanthropic Fund Revenue and Expenses**

Year ended June 30, 2020

	2020	2019
	\$	\$
Fundraising by Special Events Committee revenue		
Steam Whistle Dinner	—	73,402
Golf Day	22,819	18,938
Cocktails for Care	—	32,658
Ace of Clubs	2,933	3,659
Other Revenue	515	17,260
	26,267	145,917
Restricted donations revenue and related expenses		
International Service	87,907	107,097
Scholarship	3,053	4,364
Indigenous Services	12,542	—
Community Service	5,232	—
Camp Scugog	—	6,480
Youth and Children Service	5,197	—
Children's Christmas Party	2,270	6,177
Senior's Christmas Party	3,030	20
RI Challenge Walk	1,905	2,075
	121,136	126,213
Committee activities expenses		
Community Service	11,576	19,598
Youth and Children Service	28,965	24,547
Indigenous Service	15,000	11,000
Women's Initiatives	15,000	15,000
International Service	15,467	30,000
Scholarship	32,463	42,847
Senior Citizens	8,000	9,454
Environment	13,500	14,950
Covid Special Foundation Grant	90,000	—
	229,971	167,396
Special events expenses		
Steam Whistle Dinner	—	35,439
Senior's Christmas Party	21,350	22,793
Children's Christmas Party	23,205	16,776
Cocktails for Care	—	10,838
Golf Day	10,640	9,588
Other Projects	14,268	5,666
Camp Scugog	—	3,462
Assistance to Other Rotary Club	412	300
	69,875	104,862

The Rotary Club of Toronto**Schedule 2 – Operating Fund Operating Expenses**

Year ended June 30, 2019

	2019	2018
	\$	\$
Office		
Salaries and benefits	142,998	147,465
Rent	20,902	20,902
Professional fees	10,166	11,399
Computer software	12,747	12,926
Maintenance and repair	2,818	3,511
Telephone	6,142	6,055
Miscellaneous	7,848	6,936
Insurance	3,249	3,483
Stationery, printing and supplies	5,004	5,569
Amortization of equipment	2,644	—
Bad debts	—	675
	214,518	218,921
General		
Lunch plan costs	135,589	178,141
Conferences and conventions	15,210	13,491
Program and Friday meetings	7,825	8,203
Fellowship events	5,799	10,498
Sundry	3,145	9,025
Presentations and club awards	2,063	1,219
Badges, pins and banners	601	1,202
	170,232	221,779
Rotary communications		
Printing	5,772	12,617
Postage	—	265
	5,772	12,882
Rotary per capital levies		
Rotary International	18,411	18,053
District 7070	8,415	8,476
	26,826	26,529
	417,348	480,111