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# Financial statements of The Rotary Foundation (Canada)

June 30, 2020

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## Independent Auditor's Report

To the Members of  
The Rotary Foundation (Canada)

### Opinion

We have audited the financial statements of The Rotary Foundation (Canada) (the "Foundation"), which comprise the statement of financial position as at June 30, 2020, and the statements of revenue and expenses 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, 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 Opinion

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 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.

*Deloitte LLP*

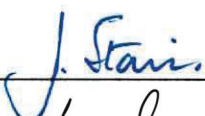
Chartered Professional Accountants  
Licensed Public Accountants  
December 16, 2020

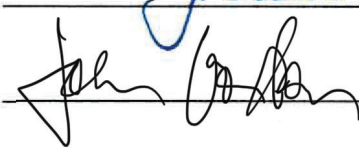
**The Rotary Foundation (Canada)**  
**Statement of financial position**  
As at June 30, 2020

|                                                      | Notes   | 2020<br>\$        | 2019<br>\$ |
|------------------------------------------------------|---------|-------------------|------------|
| <b>Assets</b>                                        |         |                   |            |
| Current assets                                       |         |                   |            |
| Cash and cash equivalents                            |         | <b>1,453,304</b>  | 439,840    |
| Short-term investments                               | 4       | <b>6,869,221</b>  | 7,892,377  |
| Pledges receivable                                   | 3       | <b>800,769</b>    | 939,046    |
| Prepaid expenses and other assets                    | 2       | <b>853,350</b>    | 838,995    |
|                                                      |         | <b>9,976,644</b>  | 10,110,258 |
| Investments                                          |         |                   |            |
|                                                      | 4 and 5 | <b>43,607,840</b> | 40,672,059 |
|                                                      |         | <b>53,584,484</b> | 50,782,317 |
| <b>Liabilities</b>                                   |         |                   |            |
| Current liabilities                                  |         |                   |            |
| Due to The Rotary Foundation of Rotary International | 5 and 7 | <b>7,509,493</b>  | 5,523,165  |
| Accrued program awards and other accrued liabilities |         | <b>1,655,660</b>  | 2,107,552  |
| Deferred grant revenue                               | 9       | <b>1,477,066</b>  | 2,852,227  |
|                                                      |         | <b>10,642,219</b> | 10,482,944 |
| <b>Fund balances</b>                                 |         |                   |            |
| Unrestricted General                                 |         | <b>18,778,538</b> | 16,670,134 |
| Internally Restricted                                |         | <b>1,298,021</b>  | 1,169,982  |
| Externally Restricted                                |         | <b>7,261,238</b>  | 8,364,054  |
| Permanently Restricted Endowments                    |         | <b>15,604,468</b> | 14,095,203 |
|                                                      |         | <b>42,942,265</b> | 40,299,373 |
|                                                      |         | <b>53,584,484</b> | 50,782,317 |

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

Approved by the Board

 \_\_\_\_\_, Director

 \_\_\_\_\_, Director

**The Rotary Foundation (Canada)**  
**Statement of revenue and expenses and changes in fund balances**  
Year ended June 30, 2020

|                                                                              | Unrestricted General |                   | Internally Restricted |                  | Externally Restricted |                  | Restricted Endowments |                   | Permanently       |                   |
|------------------------------------------------------------------------------|----------------------|-------------------|-----------------------|------------------|-----------------------|------------------|-----------------------|-------------------|-------------------|-------------------|
|                                                                              | 2020                 | 2019              | 2020                  | 2019             | 2020                  | 2019             | 2020                  | 2019              | 2020              | 2019              |
|                                                                              | \$                   | \$                | \$                    | \$               | \$                    | \$               | \$                    | \$                | \$                | \$                |
| <b>Revenue</b>                                                               |                      |                   |                       |                  |                       |                  |                       |                   |                   |                   |
| Contributions                                                                | 4,629,911            | 4,751,238         | 14,362                | 15,724           | 4,332,400             | 4,233,802        | 1,499,330             | 1,149,019         | 10,476,003        | 10,149,783        |
| Net investment income                                                        | 2,112,417            | 2,185,737         | 113,677               | 12,340           | (1,105,919)           | 893,195          | —                     | —                 | 1,120,175         | 3,091,272         |
|                                                                              | <b>6,742,328</b>     | <b>6,936,975</b>  | <b>128,039</b>        | <b>28,064</b>    | <b>3,226,481</b>      | <b>5,126,997</b> | <b>1,499,330</b>      | <b>1,149,019</b>  | <b>11,596,178</b> | <b>13,241,055</b> |
| <b>Expenses</b>                                                              |                      |                   |                       |                  |                       |                  |                       |                   |                   |                   |
| Program awards and expenses                                                  |                      |                   |                       |                  |                       |                  |                       |                   |                   |                   |
| PolioPlus program                                                            | —                    | —                 | —                     | —                | 2,063,100             | 2,209,800        | —                     | —                 | 2,063,100         | 2,209,800         |
| Global grants                                                                | 3,258,485            | 3,504,743         | —                     | —                | 2,274,041             | 2,384,345        | —                     | —                 | 5,532,526         | 5,889,088         |
| Packaged programs                                                            | (411)                | 18,657            | —                     | —                | —                     | —                | —                     | —                 | (411)             | 18,657            |
| District grants                                                              | 1,402,203            | 1,077,910         | —                     | —                | —                     | —                | —                     | —                 | 1,402,203         | 1,077,910         |
|                                                                              | <b>4,660,277</b>     | <b>4,601,310</b>  | <b>—</b>              | <b>—</b>         | <b>4,337,141</b>      | <b>4,594,145</b> | <b>—</b>              | <b>—</b>          | <b>8,997,418</b>  | <b>9,195,455</b>  |
| <b>Other expenses</b>                                                        |                      |                   |                       |                  |                       |                  |                       |                   |                   |                   |
| Development expenses                                                         | 438,700              | 434,300           | —                     | —                | —                     | —                | —                     | —                 | 438,700           | 434,300           |
| General administration                                                       | 398,302              | 396,255           | —                     | —                | —                     | —                | 6,011                 | —                 | 404,313           | 396,255           |
|                                                                              | <b>5,497,279</b>     | <b>5,431,865</b>  | <b>—</b>              | <b>—</b>         | <b>4,337,141</b>      | <b>4,594,145</b> | <b>6,011</b>          | <b>—</b>          | <b>9,840,431</b>  | <b>10,026,010</b> |
| Excess (deficiency) of revenue over expenses before non-operating activities | <b>1,245,049</b>     | <b>1,505,110</b>  | <b>128,039</b>        | <b>28,064</b>    | <b>(1,110,660)</b>    | <b>532,852</b>   | <b>1,493,319</b>      | <b>1,149,019</b>  | <b>1,755,747</b>  | <b>3,215,045</b>  |
| Foreign currency exchange gains (losses)                                     | <b>863,355</b>       | <b>(724,139)</b>  | <b>—</b>              | <b>—</b>         | <b>—</b>              | <b>—</b>         | <b>—</b>              | <b>—</b>          | <b>863,355</b>    | <b>(724,139)</b>  |
| Reserve for uncollectible pledges                                            | <b>—</b>             | <b>—</b>          | <b>—</b>              | <b>—</b>         | <b>7,844</b>          | <b>—</b>         | <b>15,946</b>         | <b>—</b>          | <b>23,790</b>     | <b>—</b>          |
| Excess (deficiency) of revenue over expenses for the year                    | <b>2,108,404</b>     | <b>780,971</b>    | <b>128,039</b>        | <b>28,064</b>    | <b>(1,102,816)</b>    | <b>532,852</b>   | <b>1,509,265</b>      | <b>1,149,019</b>  | <b>2,642,892</b>  | <b>2,490,906</b>  |
| Fund balances, beginning of year                                             | <b>16,670,134</b>    | <b>15,889,163</b> | <b>1,169,982</b>      | <b>1,141,918</b> | <b>8,364,054</b>      | <b>7,831,202</b> | <b>14,095,203</b>     | <b>12,946,184</b> | <b>40,299,373</b> | <b>37,808,467</b> |
| <b>Fund balances, end of year</b>                                            | <b>18,778,538</b>    | <b>16,670,134</b> | <b>1,298,021</b>      | <b>1,169,982</b> | <b>7,261,238</b>      | <b>8,364,054</b> | <b>15,604,468</b>     | <b>14,095,203</b> | <b>42,942,265</b> | <b>40,299,373</b> |

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

**The Rotary Foundation (Canada)****Statement of cash flows**

Year ended June 30, 2020

|                                                                                                  | 2020             | 2019               |
|--------------------------------------------------------------------------------------------------|------------------|--------------------|
|                                                                                                  | \$               | \$                 |
| <b>Operating activities</b>                                                                      |                  |                    |
| Excess of revenue over expenses                                                                  | 2,642,892        | 2,490,906          |
| Unrealized losses (gains) on investments                                                         | 265,291          | (781,804)          |
| Adjustments to reconcile change in net assets to net cash flows provided by operating activities |                  |                    |
| Endowment fund direct contributions                                                              | (1,499,330)      | (1,149,019)        |
| Contributed securities                                                                           | (732,631)        | (711,629)          |
| Foreign currency translation (gains) losses                                                      | (885,658)        | 711,174            |
| Realized gain on sale of investments, net of fees                                                | (742,610)        | (1,520,034)        |
| Changes in operating assets and liabilities                                                      |                  |                    |
| Pledges receivable – net                                                                         | 138,277          | 202,388            |
| Prepaid expenses and other assets                                                                | (14,355)         | 14,202             |
| Accrued program awards and other accrued liabilities                                             | (451,892)        | 763,668            |
| Due to The Rotary Foundation of Rotary International                                             | 1,986,328        | (475,627)          |
| Deferred grant revenue                                                                           | (1,375,161)      | 1,204,368          |
|                                                                                                  | <u>(668,849)</u> | <u>748,593</u>     |
| <b>Investing activities</b>                                                                      |                  |                    |
| Purchase of investments in Canadian portfolio                                                    | (462,715)        | (638,927)          |
| Purchase of investments in portfolio held by The Rotary Foundation of Rotary International       | (1,091,498)      | (591,882)          |
| Proceeds from sale of investments                                                                | 714,040          | 2,694,027          |
| Change in short-term investments                                                                 | 1,023,156        | (6,029,675)        |
|                                                                                                  | <u>182,983</u>   | <u>(4,566,457)</u> |
| <b>Financing activity</b>                                                                        |                  |                    |
| Proceeds from endowment fund direct contributions                                                | 1,499,330        | 1,149,019          |
| Net change in cash and cash equivalents                                                          | 1,013,464        | (2,668,845)        |
| Cash and cash equivalents, beginning of year                                                     | 439,840          | 3,108,685          |
| <b>Cash and cash equivalents, end of year</b>                                                    | <u>1,453,304</u> | <u>439,840</u>     |

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

## **The Rotary Foundation (Canada)**

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

June 30, 2020

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#### **1. Nature of operations**

The Rotary Foundation (Canada) was incorporated without share capital under the laws of Canada, and completed the transition, and continued under the Canada Not-for-Profit Corporations Act, in 2014. The Rotary Foundation (Canada) receives voluntary gifts and bequests and uses these funds to support and assist the establishment of charitable, educational, and social welfare projects. Various projects provide humanitarian relief in the areas of disease prevention and treatment, water and sanitation, maternal and child health, relieve poverty by economic and community development, support polio eradication worldwide, and provide scholarships in pursuit of advanced studies, vocational and professional training, as well as basic education and literacy.

The Rotary Foundation (Canada) is a registered charity under Section 149 of the Income Tax Act of Canada ("the Act") and, as a result, no income tax is payable on income of The Rotary Foundation (Canada).

#### **2. Significant accounting policies**

The financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO).

##### *Fund accounting*

The financial statements are prepared using the fund basis of accounting, as both unrestricted and restricted funds are maintained by The Rotary Foundation (Canada).

##### *Funds*

##### *(i) Unrestricted General Fund*

The Unrestricted General Fund revenue consists primarily of voluntary contributions revenue that has been received by The Rotary Foundation (Canada) from Rotarian individuals, clubs and districts, and other non-Rotarian donors, as well as grant cash and contributions received to partially fund areas of focus. The Unrestricted General Fund also includes income earned on investments, including endowment investments, where there are no donor restrictions on their usage. Related expenses are recorded in this fund.

##### *(ii) Internally Restricted Fund*

Internally Restricted Fund includes the following:

Quasi endowment funds, which are Board-designated endowment funds.

Investment income, including those earned on endowment investments, which have been internally designated for use towards program awards and expenses in line with The Rotary Foundation of Rotary International's spendable earnings policy, as adopted by The Rotary Foundation (Canada)'s Board.

From time to time, The Rotary Foundation (Canada) receives term gifts and also assigns these items with an internally restricted designation.

## **2. Significant accounting policies (continued)**

### *Funds (continued)*

#### *(iii) Externally Restricted Fund*

Externally Restricted Fund includes the following:

- (a) Voluntary contributions, with certain donor-imposed restrictions.
- (b) Investment income which bears an external restriction. This includes investment income on externally restricted donations where there is a donor-imposed restriction on their use, as well as income earned on endowment investments which have been externally designated for use towards program awards and expenses in line with The Rotary Foundation of Rotary International's spendable earnings policy, as adopted by The Rotary Foundation (Canada)'s Board and agreed upon by donors as part of the gift agreements.

#### *(iv) Permanently Restricted Endowments Fund*

The Rotary Foundation (Canada)'s Permanently Restricted Endowment Fund consists of donor-restricted funds where the amount donated must be maintained in perpetuity, consistent with the primary objective of supporting the programs of The Rotary Foundation (Canada). Investment income on endowment funds is recorded in the Unrestricted General, Internally Restricted, and Externally Restricted Funds depending on the terms of the endowment agreements. There is no requirement for investment income on endowment funds to be added to the endowment principal, based on current gift agreements.

### *Revenue recognition*

The Rotary Foundation (Canada) follows the restricted fund method of accounting for contributions, whereby externally restricted contributions are recognized in the Fund corresponding to the purpose for which they were contributed. Endowment contributions are accumulated in the Endowment Fund.

Contributions and unconditional pledges are recognized as revenue at their estimated fair value in the period when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Revenue from other activities is recognized at the time they are rendered. Donated life insurance policies are recognized as revenue at fair market value on the date of the donation. Grant funding to support The Rotary Foundation (Canada) and Global Affairs Canada's Partnership for Community Development (see Note 9) is recognized in the Unrestricted general fund as eligible expenses are incurred, as no corresponding restricted fund has been presented.

### *Use of estimates*

In preparing The Rotary Foundation (Canada)'s financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates. The only item subject to significant management estimates is the allowance for doubtful pledges.

### *Foreign currency translation*

Assets and liabilities are translated using the effective exchange rates at the Statement of financial position date. Revenues and expenses are translated using the average exchange rates prevailing during the year. The resulting translation adjustment is recorded as a foreign exchange gain or loss.

## **2. Significant accounting policies (continued)**

### *Cash and cash equivalents*

Cash and cash equivalents consist of operating cash and liquid investments, having an original maturity date of three months or less, including interest-bearing accounts and fixed-term deposits.

### *Pledges receivable*

Pledges receivable are recorded net of discount for the present value of the expected future cash flows using a risk adjusted rate. Management makes an annual assessment of the outstanding pledges and their ultimate collectability.

### *Financial instruments*

The Rotary Foundation (Canada) considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Rotary Foundation (Canada) accounts for the following as financial instruments:

Cash and cash equivalents

Pledges receivable

Investments

Due to The Rotary Foundation of Rotary International

Accrued program awards and other accrued liabilities

A financial asset or liability is recognized when The Rotary Foundation (Canada) becomes party to contractual provisions of the instrument.

The Rotary Foundation (Canada) initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length related party transactions.

Financial assets or liabilities obtained in related party transactions are measured at carrying value, except for those transactions that are with a person or entity whose sole relationship with The Rotary Foundation (Canada) is in the capacity of management, in which case they are accounted for in accordance with accounting policies for financial instruments.

The Rotary Foundation (Canada) subsequently measures all of its financial assets and financial liabilities at cost or amortized cost, less any reduction for impairment, except for long-term investments, which are measured at fair value. Changes in fair value are included in net investment income.

Financial assets measured at cost or amortized cost, less any reduction for impairment, include cash and cash equivalents, and pledges receivable.

Financial liabilities measured at amortized cost include accrued program awards and other accrued liabilities and Due to The Rotary Foundation of Rotary International.

Financial instruments measured at fair value include investments. On initial recognition, The Rotary Foundation (Canada) elected to measure investments at fair value. The fair value of investments in publicly-traded companies has been determined using the closing price at year end.

### *Investments*

Short-term investments are recorded at fair market value at the date of the acquisition, while sales are recorded on a settlement date basis. Subsequently, short-term investments are recorded at amortized cost. Long-term investments are carried at fair value and are based on market prices of the underlying instruments. Dividends or interest income are recorded as earned.

## **2. Significant accounting policies (continued)**

### *Investments (continued)*

Included in investments are mutual fund investments. A mutual fund is a pool of mixed assets that are professionally managed on behalf of a group of investors, and designed to provide its shareholders benefits from economies of scale. Mutual fund investors are referred to as unit holders and share, in proportion to the number of units owned, any income, expenses, and gains or losses made by the mutual fund.

### *Prepaid expenses and other assets*

Prepaid expenses and other assets include the cash surrender value of donated life insurance policies. Donated life insurance policies are recorded at fair market value at the date of the donation. The value of each life insurance policy is adjusted annually to the fair market value using the most recent cash surrender value report provided by the issuing insurance company. Included in prepaid expenses and other assets at June 30, 2020 is \$853,349 (\$838,995 in 2019), representing the fair market value of donated insurance.

### *Accrued program awards*

The Rotary Foundation (Canada) records and accrued liability for the full amount of program awards upon specific designation of award recipients in the year of approval. Awards designated, but not yet paid, are accrued and reported as program award expenses.

### *Program expenses and administrative expenses*

In accordance with the agency agreement, effective January 1, 2017, The Rotary Foundation (Canada) is charged program and administrative expenses by The Rotary Foundation of Rotary International.

## **3. Pledges receivable**

During the year, The Rotary Foundation (Canada) received 9 new unconditional multi-year pledges totaling \$731,522 (8 unconditional pledges totaling \$318,482 in 2019) before discounting for the present value of expected future cash flows. The pledge fair value is calculated based on the Bank of Canada rate of zero-coupon bonds for the term of each pledge.

In 2020, a pledge receivable in the amount of \$6,011 (\$4,268 in 2019) was determined to be uncollectible. Allowance for uncollectible pledges receivable at the end of 2020 was \$3,819 (\$27,609 in 2019).

|                                                          | <b>2020</b>      | 2019      |
|----------------------------------------------------------|------------------|-----------|
|                                                          | <b>\$</b>        | <b>\$</b> |
| Pledges receivable before allowance, beginning of year   | <b>966,655</b>   | 1,173,311 |
| New pledges received during the year                     | <b>731,521</b>   | 318,482   |
| Discount revaluation of pledges received during the year | <b>(1,354)</b>   | 5,176     |
| Adjustment to prior year discount revaluation            |                  | 42,229    |
| Foreign exchange revaluation at end of year              | <b>39,263</b>    | (6,678)   |
| Amounts collected during the year                        | <b>(925,486)</b> | (561,597) |
| Pledges determined to be uncollectible                   | <b>(6,011)</b>   | (4,268)   |
| Pledges receivable before allowance, end of year         | <b>804,588</b>   | 966,655   |
| Less: allowance for uncollectible pledges                | <b>(3,819)</b>   | (27,609)  |
| Pledges receivable (net), end of year                    | <b>800,769</b>   | 939,046   |

#### **4. Investments**

Short-term investments consist of cash held in fixed-term deposits with a maturity date of between 91 and 365 days of the year end, as well as any contributed stock gifts not yet sold. The Rotary Foundation (Canada) had \$6,869,221 in short-term investments as at June 30, 2020 (\$7,892,377 as at June 30, 2019).

Long-term investments, comprised entirely of mutual funds, are reported at fair value on the Statement of financial position. The fair values on June 30 for these investments, by asset class are as follows:

|                                                                                         | <b>2020</b>       | 2019       |
|-----------------------------------------------------------------------------------------|-------------------|------------|
|                                                                                         | <b>\$</b>         | \$         |
| Canadian investment portfolio                                                           |                   |            |
| Cash and cash equivalents                                                               | <b>1,935,737</b>  | 1,757,391  |
| Fixed income                                                                            | <b>6,978,052</b>  | 6,273,535  |
| Equities                                                                                | <b>12,382,152</b> | 11,922,018 |
|                                                                                         | <b>21,295,941</b> | 19,952,944 |
| Endowment investment portfolio held<br>by The Rotary Foundation of Rotary International |                   |            |
| Cash and cash equivalents                                                               | <b>655,945</b>    | 30,490     |
| Other investments                                                                       | <b>21,655,954</b> | 20,688,625 |
|                                                                                         | <b>22,311,899</b> | 20,719,115 |
| Total Long-term investments at market value on June 30                                  | <b>43,607,840</b> | 40,672,059 |

The Rotary Foundation (Canada) Board made a decision to adopt The Rotary Foundation of Rotary International's investment policy and invest its endowment fund contributions together with those of The Rotary Foundation of Rotary International to maximize earning potential. The Funds are invested in accordance with the investment policy approved by The Rotary Foundation of Rotary International's Trustees and monitored by its Investment Committee.

The net investment income earned in the Canadian investment portfolio and the Endowment investment portfolio are detailed below. Net investment income earned on the Canadian investment portfolio is reflected in the Statement of revenue and expenses and changes in fund balances as income in the Unrestricted General Fund. Net investment income earned on the Endowment investment portfolio is reflected in the Statement of revenue and expenses and changes in fund balances as income in the Internally and Externally Restricted Funds, and the Unrestricted General Fund, in line with the associated restrictions.

#### 4. Investments (continued)

|                                                                                                 | 2020<br>\$       | 2019<br>\$       |
|-------------------------------------------------------------------------------------------------|------------------|------------------|
| Net investment income components from the Canadian investment portfolio, for the year, include  |                  |                  |
| Interest                                                                                        | 126,457          | 94,912           |
| Dividends                                                                                       | 463,102          | 653,870          |
| Bank and other fees                                                                             | (33,101)         | (35,664)         |
| Unrealized gain on investments                                                                  | 880,281          | 779,646          |
| Realized loss on contributed securities                                                         | (2,889)          | —                |
| Investment service fees                                                                         | (89,569)         | (83,413)         |
|                                                                                                 | <b>1,344,281</b> | <b>1,409,350</b> |
| Net investment income components from the Endowment investment portfolio, for the year, include |                  |                  |
| Interest                                                                                        | 190,022          | 109,196          |
| Dividends                                                                                       | 60,435           | 164,551          |
| Realized capital gain                                                                           | 761,200          | 1,520,034        |
| Unrealized (loss) gain on investments                                                           | (1,145,572)      | 2,158            |
| Investment service fees and other fees                                                          | (90,191)         | (114,017)        |
|                                                                                                 | <b>(224,106)</b> | <b>1,681,922</b> |
|                                                                                                 | <b>1,120,175</b> | <b>3,091,272</b> |

#### 5. Related party transactions

The Rotary Foundation of Rotary International and The Rotary Foundation (Canada) handle certain fiscal matters on behalf of each other, which include transfer of funds, payment of general and administrative expenses, and payment of program expenses. In 2020 and 2019, The Rotary Foundation of Rotary International also held an investment portfolio which included The Rotary Foundation (Canada) investment of endowment fund contributions, as described in Note 4. The balances resulting from these transactions are settled on a periodic basis.

#### 6. Program awards and expenses

|                       | Awards<br>\$     | Expenses<br>\$ | 2020<br>Total<br>\$ |
|-----------------------|------------------|----------------|---------------------|
| Legacy Programs       |                  |                |                     |
| Matching & 3-H grants | —                | —              | —                   |
| PolioPlus program     | 2,035,400        | 27,700         | 2,063,100           |
| Global grants         | 4,980,357        | 552,169        | 5,532,526           |
| Package grants        | (375)            | (36)           | (411)               |
| District grants       | 1,277,851        | 124,352        | 1,402,203           |
|                       | <b>8,293,233</b> | <b>704,185</b> | <b>8,997,418</b>    |

## 6. Program awards and expenses (continued)

|                       | Awards           | Expenses       | 2019<br>Total    |
|-----------------------|------------------|----------------|------------------|
|                       | \$               | \$             | \$               |
| Legacy Programs       |                  |                |                  |
| Matching & 3-H grants | —                | —              | —                |
| PolioPlus program     | 2,185,900        | 23,900         | 2,209,800        |
| Global grants         | 5,325,175        | 563,913        | 5,889,088        |
| Package grants        | 17,035           | 1,622          | 18,657           |
| District grants       | 984,209          | 93,701         | 1,077,910        |
|                       | <u>8,512,319</u> | <u>683,136</u> | <u>9,195,455</u> |

## 7. Allocation of expenses

The Rotary Foundation (Canada) shares certain expenses, in addition to facilities and personnel services, with The Rotary Foundation of Rotary International. Such costs are allocated to The Rotary Foundation (Canada) annually and are based pro-rata on program awards.

At the end of the respective fiscal year, The Rotary Foundation of Rotary International identifies certain component expenses for allocation, using an agreed-upon methodology, as the basis for determining The Rotary Foundation (Canada)'s proportionate share of applicable costs.

The natural classification for these expenses is as follows:

|                               | 2020                    | 2019             |
|-------------------------------|-------------------------|------------------|
|                               | \$                      | \$               |
| Program awards and expenses * | <b>638,700</b>          | 626,200          |
| Development expenses          | <b>398,700</b>          | 394,300          |
| General administration        | <b>301,300</b>          | 296,200          |
|                               | <u><b>1,338,700</b></u> | <u>1,316,700</u> |

## 8. Financial instruments

The Rotary Foundation (Canada) is exposed to various risks through its financial instruments. These risks are consistent with those disclosed in the prior year. The following analysis provides a measure of The Rotary Foundation (Canada)'s risk exposures and concentrations as at June 30, 2020:

### *Credit risk*

Credit risk arises from cash and cash equivalents and investments held with financial institutions and credit exposures on outstanding pledges receivable. Cash and cash equivalents and short-term investments are held at major financial institutions, thus minimizing any potential exposure to credit risk. It is management's opinion that the risk related to receivables is minimal, as The Rotary Foundation (Canada) has traditionally had a strong collection history.

### *Interest rate risk*

Interest rate risk is the risk that the value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. The Rotary Foundation (Canada) currently is only exposed to interest rate risk from its investments. The Rotary Foundation (Canada) does not expect fluctuations in market interest rates to have a material impact on its financial performance and does not use derivative instruments.

## **8. Financial instruments (continued)**

### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Rotary Foundation (Canada) incurs project and administration expenses in US dollars. Further, the endowment funds invested together with The Rotary Foundation of Rotary International's endowment investment portfolio are denominated in US dollars. The Rotary Foundation (Canada) additionally holds a portion of its cash in a US Dollar denominated bank account. At June 30, 2020, cash of US\$112,454.01 (US\$84,486 in 2019) and investments of US\$16,355,299 (US\$15,826,992 in 2019) are denominated in US dollars and converted into Canadian dollars using the month end rate. Foreign currency transactions are translated using the average monthly rate.

### *Market risk*

Market risk is the risk that the value of The Rotary Foundation (Canada)'s investments, especially the equity securities, will fluctuate as a result of changes in stock market conditions.

## **9. Partnership for community development**

In fiscal year 2015, The Rotary Foundation (Canada) entered into a five year grant agreement with Global Affairs Canada ("GAC") on behalf of the Government of Canada to support Canadian Rotarian's humanitarian actions and efforts to "Do Good in the World". GAC shall provide a grant of \$6,000,000 over five (5) fiscal years and The Rotary Foundation (Canada) shall provide a matching financial contribution of \$9,000,000 on a 3:2 matching basis. During the year, extensions were negotiated with GAC to allow the continued spending of the funds under the agreement until March 31, 2021.

In accordance with the grant agreement, any payment to be made to The Rotary Foundation (Canada) is subject to appropriation by the Government of Canada for the fiscal year in which the payment is to be made. If GAC's appropriation is changed by the Government of Canada or if funds are not available for any other reason, the grant may be reduced or the agreement terminated. Payments of \$6,000,000 have been received to date. Unspent funding received is included in deferred grant revenue as it relates to activities to be incurred in the future.

## **10. COVID-19**

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 Rotary Foundation (Canada) in future periods.