

The Calgary Rotary Clubs Foundation

Financial Statements
February 28, 2021



Independent auditor's report

To the Members of The Calgary Rotary Clubs Foundation

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Calgary Rotary Clubs Foundation (the Foundation) as at February 28, 2021 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.

What we have audited

The Foundation's financial statements comprise:

- the statement of financial position as at February 28, 2021;
- the statement of revenue and expenses and changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

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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 generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
June 22, 2021

The Calgary Rotary Clubs Foundation

Statement of Financial Position

As at February 28, 2021

	2021 \$	2020 \$
Assets		
Current assets		
Cash	661,093	416,752
Prepaid expense	4,250	4,250
Accounts receivable	15,696	8,439
	<u>681,039</u>	<u>429,441</u>
Investments (note 3)	58,158,385	54,717,483
Cash surrender value of life insurance policies (note 4(b))	46,888	42,760
	<u>58,886,312</u>	<u>55,189,684</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	30,859	27,935
Prior year member distributions payable	42,697	36,883
Current year member distributions payable (note 6)	2,433,096	2,344,721
	<u>2,506,652</u>	<u>2,409,539</u>
Fund balances		
General Fund (note 4)	54,911,371	51,001,713
Designated Fund (note 5)	1,468,289	1,778,432
	<u>56,379,660</u>	<u>52,780,145</u>
	<u>58,886,312</u>	<u>55,189,684</u>
Commitments (note 7)		

Approved by the Board of Directors

_____ Director _____ Director

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

The Calgary Rotary Clubs Foundation

Statement of Revenue and Expenses and Changes in Fund Balances

For the year ended February 28, 2021

			2021	2020
	General Fund \$	Designated Fund \$	Total \$	Total \$
Revenue				
Contributions (note 6)	177,692	-	177,692	256,529
Realized gain on investments	2,009,008	-	2,009,008	2,056,035
Unrealized gain (loss) on investments	1,869,161	-	1,869,161	(69,777)
Dividends and interest	1,863,997	-	1,863,997	1,697,044
Fund distributions	55,496	-	55,496	-
Other	15,440	-	15,440	611
	5,990,794	-	5,990,794	3,940,442
Expenses				
Investment management fees	246,873	-	246,873	237,945
Professional fees	26,490	-	26,490	41,935
Office and miscellaneous	15,862	-	15,862	13,431
	289,225	-	289,225	293,311
Excess of revenue over expenses before the following	5,701,569	-	5,701,569	3,647,131
Increase in cash surrender value of life insurance policies	4,128	-	4,128	2,260
Excess of revenue over expenses for the year	5,705,697	-	5,705,697	3,649,391
Fund balances – Beginning of year	51,001,713	1,778,432	52,780,145	51,475,475
Endowment contributions	326,914	-	326,914	-
Distributions to member clubs	(2,433,096)	-	(2,433,096)	(2,344,721)
Interfund transfers – expiration of ten-year retention period	310,143	(310,143)	-	-
Fund balances – End of year	54,911,371	1,468,289	56,379,660	52,780,145

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

The Calgary Rotary Clubs Foundation

Statement of Cash Flows

For the year ended February 28, 2021

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	5,705,697	3,649,391
Items not affecting cash		
Realized gain on investments	(2,009,008)	(2,056,035)
Unrealized (gain) loss on investments	(1,869,161)	69,777
Fund distributions re-invested	(55,496)	-
Increase in cash surrender value of life insurance policies	(4,128)	(2,260)
Change in non-cash working capital items		
Accounts receivable	(7,257)	(1,455)
Accounts payable and accrued liabilities	2,924	(47)
Prepaid expense	-	(4,250)
	<hr/> 1,763,571	<hr/> 1,655,121
Investing activities		
Purchases of balance fund investments	(13,370,833)	(20,303,584)
Sales of balance fund investments	16,363,596	20,856,487
Purchase of mortgage fund investments	(2,500,000)	-
	<hr/> 492,763	<hr/> 552,903
Financing activities		
Endowment contributions	326,914	-
Distributions to member clubs	(2,338,907)	(2,222,431)
	<hr/> (2,011,993)	<hr/> (2,222,431)
Net change in cash during the year	244,341	(14,407)
Cash – Beginning of year	<hr/> 416,752	<hr/> 431,159
Cash – End of year	<hr/> <hr/> 661,093	<hr/> <hr/> 416,752

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

The Calgary Rotary Clubs Foundation

Notes to Financial Statements

February 28, 2021

1 Nature of organization

The objective of The Calgary Rotary Clubs Foundation (the Foundation) is to receive, maintain and invest funds from members of Rotary Clubs in Calgary, and to distribute funds to such Rotary Clubs for benevolent, philanthropic, charitable, provident, educational or other purposes. The Foundation is incorporated under the Societies Act of the Province of Alberta as a not-for-profit organization and is registered as a charitable organization under the Income Tax Act, and therefore is not subject to income tax.

The Foundation is also registered under the Charitable Fundraising Act (the Act) of Alberta and has considered all required disclosures under Section 7(2) of the Act in preparing these financial statements.

2 Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board.

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions.

The General Fund accounts for the assets, liabilities, revenue and expenses related to general donations, investment income, charitable activities and endowment activities.

The Designated Fund is a long-term restricted fund that accounts for contributions subject to the direction that they be retained for a minimum of ten years. At the expiration of the ten-year period, the amounts are transferred to the General Fund. See note 5 for further details.

Revenue recognition

Unrestricted contributions are recognized as revenue of the General Fund when received. Restricted contributions, pursuant to a donor restriction that the principal amount be maintained for a period of not less than ten years, are recorded as revenue of the Designated Fund when received. Endowment contributions, when received, are recorded as direct increases to fund balances.

Unrestricted investment income earned and changes in investment market values are recognized as revenue in the General Fund.

Changes in cash surrender value of life insurance policies are reported in the period the gain or loss occurs in the General Fund.

Investments

Investments include equity securities, equity pooled funds, fixed income funds and commercial mortgage funds, as well as short-term investments and cash held in broker accounts. Equity securities are valued at quoted market price. Investments in equity pooled funds, fixed income funds and commercial mortgage funds are

The Calgary Rotary Clubs Foundation

Notes to Financial Statements

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valued based on the net assets per unit provided by the underlying funds' managers. Short-term investments are carried at amortized cost, which approximates fair value.

Allocation of income

Allocation of income represents the portion of income earned by the Foundation allocated to each member club on the basis of the balance of their funds held and received by the Foundation during the year. Income earned by the Foundation is allocated based on each Club's previous year-end balance plus the weighted average of the contributions made by each Club during the current year. The weighting is done to account for the timing of when current year contributions are received by the Foundation for investment.

Distribution to member clubs

Distributions to member clubs are calculated based on 5% of the average of the opening and closing fund balances of the Foundation for the five immediately preceding fiscal years, excluding donations received in the current fiscal year.

Contributed services and materials

Contributed services and materials are not recognized in the financial statements because of the difficulty of determining their fair value.

Financial instruments

The Foundation initially measures financial assets and financial liabilities at fair value. The financial assets subsequently measured at amortized cost consist of cash, accounts receivable and cash surrender value of life insurance policies. The financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities, prior year member distributions payable and current year member distributions payable. The Foundation measures its investments at fair value. The Foundation mitigates the following risks through the use of investment managers for the long-term portfolio investments and by investing other funds in short-term fixed rate products with high credit ratings.

- a) Market risk – The investments of the Foundation are subject to price risk because changing interest rates, market value of the investments and general economic conditions affect the market value of equity and fixed income investments; and currency exchange rate changes impact the market value of the investments denominated in currencies other than the Canadian dollar.
- b) Liquidity risk – The Foundation uses investment managers to manage its portfolio of investments that are liquid investments. These investments are subject to liquidity risk if the Foundation is required to sell at a time when the market for the investments is unfavourable.
- c) Credit risk – It is management's opinion that the Foundation is not exposed to significant credit risk from these financial instruments.

The Calgary Rotary Clubs Foundation

Notes to Financial Statements

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3 Investments

	2021 \$	2020 \$
Equity securities	4,395,397	4,295,996
Equity pooled funds	33,609,690	28,766,019
Fixed income funds	16,854,020	19,625,055
Short-term investments and cash held in broker accounts	750,933	2,030,413
Commercial mortgage funds	2,548,345	-
	<hr/> 58,158,385	<hr/> 54,717,483

4 General Fund

The General Fund consists of the following:

a) Endowment contributions

Endowment contributions consist of funds donated by members of various Rotary Clubs in Calgary for the perpetual benefit of the Foundation. The donations are made with the requirement that the principal amount remain intact and monies earned from investing the principal be used to support the charitable activities of the benefiting member clubs. The following historical principal endowment contributions have been made by members of benefiting Rotary Clubs in Calgary:

	2021 \$	2020 \$
The Rotary Club of Calgary	29,321,240	29,321,240
Rotary Club of Calgary at Stampede Park	2,683,820	2,356,906
Rotary Club of Calgary North	1,266,306	1,266,306
	<hr/> 33,271,366	<hr/> 32,944,452

b) Internally restricted amounts

Internally restricted balances consist of life insurance policies with respect to members of specific Rotary Clubs in Calgary. These amounts are recorded at their cash surrender values as follows:

	2021 \$	2020 \$
Rotary Club of Calgary at Stampede Park	45,069	42,760
Rotary Club of Calgary West	1,819	-
	<hr/> 46,888	<hr/> 42,760

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c) Accumulated excess of net revenue over distributions to member clubs

	2021 \$	2020 \$
Accumulated excess of net revenue over distributions to member clubs	21,593,117	18,014,501
	2021 \$	2020 \$
Total General Fund	54,911,371	51,001,713

5 Designated Fund

The Designated Fund balance represents contributions from individual members of the member clubs subject to the direction that they be retained for a minimum of ten years. On expiration of the ten-year restriction, the funds are transferred to the General Fund and are available for further retention or distribution to member Rotary Clubs. The Designated Fund is winding down due to it being no longer necessary for the Foundation, with the last of the restricted funds transferring over to the General Fund in 2026.

These contributions become available for use by the Foundation as follows:

Year of expiry	Amount of restricted contribution \$
2022	413,938
2023	237,518
2024	251,080
2025	142,775
2026	422,978
	<u>1,468,289</u>

The Calgary Rotary Clubs Foundation

Notes to Financial Statements

February 28, 2021

6 Related party transactions

During the year, the Foundation received unrestricted contributions of \$177,692 (2020 – \$256,529).

During the year, the Foundation received endowment contributions from Mario Stella, referred to as the “Stella Endowment,” in the amount of \$326,914 (2020 – \$nil). This endowment is for the benefit of the Rotary Club of Calgary at Stampede Park.

During the year, the Foundation recorded distributions payable to member clubs of \$2,433,096 (2020 – \$2,344,721).

Amounts payable to member clubs bear no interest and are payable in the following years subject to approval by the Board.

7 Commitments

Consistent with the Foundation’s Board approved Investment Policy, the Foundation has entered into a Limited Partnership Agreement with IFM Global Infrastructure (Canada) L.P. (IFM) with a capital commitment of \$7,500,000 for a future investment in infrastructure projects to be managed by IFM. As a limited partner, the Foundation will be entitled to distributions for reinvestment according to the terms and conditions of the Partnership when the committed funds are drawn against and invested. The Foundation expects the partnership commitment of funds to be drawn against in the upcoming year.

8 COVID-19

In March 2020, the World Health Organization declared the COVID-19 outbreak a worldwide pandemic. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include restrictions on events and gatherings, the implementation of travel bans, quarantine periods and physical distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. Governments and central banks have introduced significant monetary and fiscal relief programs designed to stabilize economic conditions; however, the situation is dynamic, and the success of these interventions is not currently determinable.

Management has assessed the financial impact of COVID-19 at February 28, 2021, including valuation of assets. The current economic challenges have resulted in increased fluctuation of the fair value of investments.

The situation is dynamic, and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Foundation is not known at this time. The Foundation will continue to monitor the impacts of the pandemic on the community that it serves and continue to adjust to the volatile situation.

The Calgary Rotary Clubs Foundation

Schedules of Distributions to Member Clubs

(Unaudited)

For the year ended February 28, 2021

	2021	2020
	\$	\$
Distributions to member clubs calculated as per accounting policy (note 2)		
The Rotary Club of Calgary	2,020,937	1,972,169
Rotary Club of Calgary at Stampede Park	251,651	220,844
Rotary Club of Calgary West	37,414	34,815
Rotary Club of Calgary East	7,769	7,380
Rotary Club of Calgary North	82,354	80,624
Rotary Club of Calgary Olympic	2,270	2,207
Rotary Club of Calgary Sarcee	1,031	1,010
Rotary Club of Calgary Heritage Park	2,998	2,628
Rotary Club of Calgary Centennial	13,522	10,595
Rotary Club of Calgary Fish Creek	780	763
Rotary Club of Calgary Chinook	11,004	10,457
Rotary Club of Calgary Millennium	1,366	1,229
	<hr/>	<hr/>
	2,433,096	2,344,721
	<hr/>	<hr/>

The Calgary Rotary Clubs Foundation

Continuity Schedules of Balances by Member Clubs

(Unaudited)

For the year ended February 28, 2021

	2020 \$	Contribution revenue and endowment contributions \$	Allocation of income \$	Investment funds distributed \$	2021 \$
The Rotary Club of Calgary	5,514,292	69,887	576,765	(193,086)	5,967,858
The Rotary Club of Calgary – Mayhood Endowment	37,685,280	-	3,929,864	(1,827,851)	39,787,293
Rotary Club of Calgary at Stampede Park	3,314,757	77,536	347,850	(149,781)	3,590,362
Rotary Club of Calgary at Stampede Park – SNUG Endowment	255,746	-	26,669	(12,413)	270,002
Rotary Club of Calgary at Stampede Park – Stella Endowment (note 6)	2,464,889	326,914	276,437	(89,457)	2,978,783
Rotary Club of Calgary West	852,236	11,519	89,314	(37,414)	915,655
Rotary Club of Calgary East	173,619	3,025	18,124	(7,769)	186,999
Rotary Club of Calgary North	64,597	1,544	6,743	(3,091)	69,793
Rotary Club of Calgary North – Dr. McNabb Endowment	1,312,292	-	136,847	(63,698)	1,385,441
Rotary Club of Calgary North – Watson Endowment	149,173	-	15,556	(7,252)	157,477
Rotary Club of Calgary North – Ernest Hauser Endowment	204,384	-	21,313	(8,313)	217,384
Rotary Club of Calgary Olympic	48,011	1,025	5,060	(2,270)	51,826
Rotary Club of Calgary Centennial	317,902	3,376	33,212	(13,522)	340,968
Rotary Club of Calgary Fish Creek	16,282	-	1,698	(780)	17,200
Rotary Club of Calgary Heritage Park	71,409	4,703	7,532	(2,998)	80,646
Rotary Club of Calgary Sarcee	21,451	400	2,253	(1,031)	23,073
Rotary Club of Calgary Chinook	242,040	4,677	25,513	(11,004)	261,226
Rotary Club of Calgary Millennium	29,993	-	3,127	(1,366)	31,754
	<u>52,738,353</u>	<u>504,606</u>	<u>5,523,877</u>	<u>(2,433,096)</u>	<u>56,333,740</u>

The annual income of the Foundation is allocated to the member clubs and endowment funds based on the pro rata capital balances at the beginning of the year adjusted by the weighted average contributions by each club in the current year.