

The Calgary Rotary Clubs Foundation

Financial Statements
February 28, 2019



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, 2019 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, 2019;
 - 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 a summary of significant accounting policies.
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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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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 11, 2019

The Calgary Rotary Clubs Foundation

Statement of Financial Position

As at February 28, 2019

	2019 \$	2018 \$
Assets		
Current assets		
Cash	431,159	291,640
Prepaid expense	-	4,250
Accounts receivable	6,984	126,386
	<u>438,143</u>	<u>422,276</u>
Investments (note 3)	53,284,128	51,917,985
Cash surrender value of life insurance policies (note 4(b))	40,500	132,542
	<u>53,762,771</u>	<u>52,472,803</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	27,982	28,415
Prior year member distributions payable	37,812	22,538
Current year member distributions payable (note 6)	2,221,502	2,076,559
	<u>2,287,296</u>	<u>2,127,512</u>
Fund balances		
General Fund (note 4)	49,563,849	48,260,022
Designated Fund (note 5)	1,911,626	2,085,269
	<u>51,475,475</u>	<u>50,345,291</u>
	<u>53,762,771</u>	<u>52,472,803</u>

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, 2019

			2019	2018
	General Fund \$	Designated Fund \$	Total \$	Total \$
Revenue				
Contributions (note 6)	1,732,112	-	1,732,112	317,842
Unrealized (loss) gain on investments	(701,631)	-	(701,631)	209,222
Realized gain on investments	823,658	-	823,658	1,763,929
Dividends and interest	1,880,387	-	1,880,387	1,471,267
Other	2,731	-	2,731	399
	<u>3,737,257</u>	<u>-</u>	<u>3,737,257</u>	<u>3,762,659</u>
Expenses				
Investment management fees	225,321	-	225,321	221,384
Professional fees	43,768	-	43,768	15,456
Office and miscellaneous	18,338	-	18,338	26,557
	<u>287,427</u>	<u>-</u>	<u>287,427</u>	<u>263,397</u>
Excess of revenue over expenses before the following	3,449,830	-	3,449,830	3,499,262
(Decrease) increase in cash surrender value of life insurance policies	(92,042)	-	(92,042)	28,444
Excess of revenue over expenses for the year	3,357,788	-	3,357,788	3,527,706
Fund balances – Beginning of year	48,260,022	2,085,269	50,345,291	48,486,677
Endowment (withdrawals) contributions	(6,102)	-	(6,102)	407,467
Distributions to member clubs	(2,221,502)	-	(2,221,502)	(2,076,559)
Interfund transfers – expiration of ten-year retention period	173,643	(173,643)	-	-
Fund balances – End of year	<u>49,563,849</u>	<u>1,911,626</u>	<u>51,475,475</u>	<u>50,345,291</u>

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, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	3,449,830	3,499,262
Items not affecting cash		
Realized gain on investments	(823,658)	(1,763,929)
Unrealized loss (gain) on investments	701,631	(209,222)
Change in non-cash working capital items		
Accounts receivable	119,402	(38,380)
Accounts payable and accrued liabilities	(433)	2,939
Prepaid expense	4,250	(4,250)
	<hr/> 3,451,022	<hr/> 1,486,420
Investing activities		
Purchases of investments	(13,156,654)	(10,198,910)
Sales of investments	11,912,538	10,558,207
	<hr/> (1,244,116)	<hr/> 359,297
Financing activities		
Distributions to member clubs	(2,061,285)	(2,036,272)
Endowment (withdrawals) contributions	(6,102)	407,467
	<hr/> (2,067,387)	<hr/> (1,628,805)
Net change in cash during the year	139,519	216,912
Cash – Beginning of year	<hr/> 291,640	<hr/> 74,728
Cash – End of year	<hr/> <hr/> 431,159	<hr/> <hr/> 291,640

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

The Calgary Rotary Clubs Foundation

Notes to Financial Statements

February 28, 2019

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 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 net assets.

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.

Investments

Investments include equity securities, equity pooled funds and fixed income 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 and fixed income funds are valued based on the net assets per unit provided by the

The Calgary Rotary Clubs Foundation

Notes to Financial Statements

February 28, 2019

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 as allocated to each Club on the basis of the balance of their funds contributed to the Foundation at year end. The fund balance is calculated on the basis of the Rotary Club's previous year-end balance plus the weighted average of the contributions made by each Rotary Club during the current year.

Distribution to member clubs

Distributions to member clubs are calculated based upon 5% of the average of the opening and closing fund balances of The Calgary Rotary Clubs 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

February 28, 2019

3 Investments

	2019 \$	2018 \$
Equity securities	4,130,961	3,786,369
Equity pooled funds	27,909,204	27,503,454
Fixed income funds	18,267,313	17,364,021
Short-term investments and cash held in broker accounts	2,976,650	3,264,141
	<u>53,284,128</u>	<u>51,917,985</u>

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:

	2019 \$	2018 \$
The Rotary Club of Calgary	29,321,240	29,321,240
Rotary Club of Calgary South	2,356,906	2,363,008
Rotary Club of Calgary North	1,266,306	1,266,306
	<u>32,944,452</u>	<u>32,950,554</u>

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:

	2019 \$	2018 \$
The Rotary Club of Calgary	-	94,239
Rotary Club of Calgary South	40,500	38,303
	<u>40,500</u>	<u>132,542</u>

The Calgary Rotary Clubs Foundation

Notes to Financial Statements

February 28, 2019

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

	2019	2018
	\$	\$
Accumulated excess of net revenue over distributions to member clubs	<u>16,578,897</u>	<u>15,176,926</u>
	2019	2018
	\$	\$
Total General Fund	<u>49,563,849</u>	<u>48,260,022</u>

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. Upon 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 \$
2020	133,194
2021	310,143
2022	413,938
2023	237,518
2024	251,080
2025	142,775
2026	<u>422,978</u>
	<u>1,911,626</u>

The Calgary Rotary Clubs Foundation

Notes to Financial Statements

February 28, 2019

6 Related party transactions

During the year, the Foundation received unrestricted contributions of \$1,732,112 (2018 – \$317,842) and endowment contributions from members of Rotary Clubs in Calgary as follows:

- a) For the year ended February 28, 2018, the Foundation received endowment contributions from Mario Stella, referred to as the “Stella Endowment”, in the amount of \$298,395. This endowment is for the benefit of Rotary Club of Calgary South.
- b) For the year ended February 28, 2018, the Foundation received endowment contributions from Ernest Hauser, referred to as the “Ernest Hauser Endowment”, in the amount of \$59,537. This endowment is for the benefit of Rotary Club of Calgary North.
- c) For the year ended February 28, 2018, the Foundation received endowment contributions from Ev Mayhood, referred to as the “Mayhood Endowment”, in the amount of \$49,535. This endowment is for the benefit of The Rotary Club of Calgary.
- d) During the year, the Foundation paid legal fees associated with the Stella Endowment in final settlement of the Endowment withdrawal of \$6,102 (2018 – \$nil).
- e) During the year, the Foundation recorded distributions payable to member clubs of 2,221,502 (2018 – \$2,076,559).

Amounts payable to member clubs bear no interest and are payable in the following year.

The Calgary Rotary Clubs Foundation

Schedules of Distributions to Member Clubs

(Unaudited)

For the year ended February 28, 2019

	2019	2018
	\$	\$
Distributions to member clubs calculated as per accounting policy (note 2)		
The Rotary Club of Calgary	1,893,596	1,795,401
Rotary Club of Calgary South	187,832	154,621
Rotary Club of Calgary West	31,594	27,761
Rotary Club of Calgary East	6,797	6,146
Rotary Club of Calgary North	77,283	73,075
Rotary Club of Calgary Olympic	2,043	1,794
Rotary Club of Calgary Sarcee	959	885
Rotary Club of Calgary Heritage Park	2,246	1,850
Rotary Club of Calgary Centennial	7,697	4,821
Rotary Club of Calgary Fish Creek	720	658
Rotary Club of Calgary Chinook	9,668	8,685
Rotary Club of Calgary Millennium	1,067	862
	<hr/>	<hr/>
	2,221,502	2,076,559
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The Calgary Rotary Clubs Foundation

Continuity Schedules of Balances by Member Clubs

(Unaudited)

For the year ended February 28, 2019

	2018 \$	Contribution revenue and endowment contributions \$	Investment funds distributed \$	Allocation of income \$	2019 \$
Rotary Club of Calgary	3,590,316	1,553,100	(151,044)	146,350	5,138,722
Rotary Club of Calgary – Mayhood Endowment (note 6)	37,531,241	-	(1,742,552)	1,263,210	37,051,899
Rotary Club of Calgary South	3,075,650	161,642	(134,315)	105,640	3,208,617
Rotary Club of Calgary South - SNUG Endowment	254,710	-	(11,840)	8,589	251,459
Rotary Club of Calgary South – Stella Endowment (note 6)	2,343,146	(6,102)	(41,677)	78,672	2,374,039
Rotary Club of Calgary West	814,333	11,750	(31,594)	27,655	822,144
Rotary Club of Calgary East	169,735	1,225	(6,797)	5,668	169,831
Rotary Club of Calgary North	63,768	500	(2,882)	2,061	63,447
Rotary Club of Calgary North – Dr. McNabb Endowment	1,307,086	-	(60,763)	43,974	1,290,297
Rotary Club of Calgary North – Watson Endowment	148,622	-	(6,916)	4,981	146,687
Rotary Club of Calgary North – Ernest Hauser Endowment (note 6)	198,917	-	(6,722)	6,699	198,894
Rotary Club of Calgary Olympic	46,532	1,060	(2,043)	1,546	47,095
Rotary Club of Calgary – Centennial	305,619	-	(7,697)	10,306	308,228
Rotary Club of Calgary Fish Creek	16,198	-	(720)	515	15,993
Rotary Club of Calgary Heritage Park	65,197	100	(2,246)	2,233	65,284
Rotary Club of Calgary Sarcee	21,347	-	(959)	687	21,075
Rotary Club of Calgary Chinook	231,967	2,735	(9,668)	7,902	232,936
Rotary Club of Calgary Millennium	29,332	-	(1,067)	1,031	29,296
	<u>50,213,716</u>	<u>1,726,010</u>	<u>(2,221,502)</u>	<u>1,717,719</u>	<u>51,435,943</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.