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Financial statements

The Rotary Foundation (Canada)

June 30, 2015

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Independent auditor's report

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To the members of
The Rotary Foundation (Canada)

We have audited the accompanying financial statements of The Rotary Foundation (Canada), which comprise the statement of financial position as at June 30, 2015, and the statement of revenue and expenses, statement of changes in fund balances, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Rotary Foundation (Canada) as at June 30, 2015, 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.

Mississauga, Canada
December 3, 2015

Grant Thornton LLP

Chartered Professional Accountants
Licensed Public Accountants

The Rotary Foundation (Canada)

Statement of financial position

June 30

2015

2014

Assets

Current

Cash and cash equivalents	\$ 3,346,049	\$ 3,374,982
Pledges receivable (Note 3)	1,108,341	167,390
Prepaid expenses and other assets	<u>807,562</u>	<u>756,575</u>
	5,261,952	4,298,947

Investments (Note 4)	<u>27,029,487</u>	<u>19,837,066</u>
	<u>\$ 32,291,439</u>	<u>\$ 24,136,013</u>

Liabilities

Current

Due to The Rotary Foundation of Rotary International (Notes 5 and 7)	\$ 3,485,387	\$ 147,626
Accrued program awards and other accrued liabilities	1,630,507	1,282,438
Deferred grant revenue (Note 10)	<u>1,200,000</u>	<u>-</u>
	<u>6,315,894</u>	<u>1,430,064</u>

Fund balances

Unrestricted general	12,012,097	10,501,709
Temporarily restricted (Note 8)	5,457,174	4,795,338
Permanently restricted endowments (Note 8)	<u>8,506,274</u>	<u>7,408,902</u>
	<u>25,975,545</u>	<u>22,705,949</u>
	<u>\$ 32,291,439</u>	<u>\$ 24,136,013</u>

See accompanying notes to the financial statements.

The Rotary Foundation (Canada) **Statement of revenue and expenses** Year ended June 30

	Unrestricted General		Temporarily Restricted		Permanently Restricted Endowments		Total
	2015	2014	2015	2014	2015	2014	
Revenue							
Contributions	\$ 5,941,840	\$ 5,146,297	\$ 2,500,641	\$ 1,772,191	\$ 1,064,897	\$ 507,064	\$ 9,527,578
Net investment return (Note 4)	1,902,840	2,603,712	278,226	948,674	-	-	2,181,066
Net assets released from restrictions	407,239	307,333	(407,239)	(307,333)	-	-	-
	<u>8,251,919</u>	<u>8,057,342</u>	<u>2,371,828</u>	<u>2,413,532</u>	<u>1,064,897</u>	<u>507,064</u>	<u>11,708,644</u>
							<u>10,977,938</u>
Expenses (Notes 6 and 7)							
Program awards and expenses							
Legacy programs	(64,034)	(224)	-	-	-	-	(64,034)
PolioPlus program	-	-	2,062,200	1,793,000	-	-	2,062,200
Global grants	5,028,727	2,726,647	-	-	-	-	5,028,727
Packaged grants	20,417	22,643	-	-	-	-	20,417
District grants	826,654	989,330	-	-	-	-	826,654
	<u>5,684,664</u>	<u>3,718,396</u>	<u>2,062,200</u>	<u>1,793,000</u>	<u>-</u>	<u>-</u>	<u>7,873,964</u>
							<u>5,511,396</u>
Other expense							
Development	358,200	306,700	-	-	-	-	358,200
General administration	208,664	208,570	-	-	-	-	208,664
	<u>6,376,848</u>	<u>4,233,666</u>	<u>2,062,200</u>	<u>1,793,000</u>	<u>-</u>	<u>-</u>	<u>8,439,048</u>
							<u>6,026,666</u>
Excess of revenue over expenses	<u>\$ 1,875,071</u>	<u>\$ 3,823,676</u>	<u>\$ 309,628</u>	<u>\$ 620,532</u>	<u>\$ 1,064,897</u>	<u>\$ 507,064</u>	<u>\$ 3,269,596</u>
							<u>\$ 4,951,272</u>

See accompanying notes to the financial statements.

The Rotary Foundation (Canada) **Statement of changes in fund balances**

Year ended June 30

	Unrestricted General		Temporarily Restricted		Permanently Restricted Endowments		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Fund balances,								
Beginning of year \$	10,501,709	\$ 6,690,134	\$ 4,795,338	\$ 4,177,056	\$ 7,408,902	\$ 6,887,487	\$ 22,705,949	\$ 17,754,677
Excess of revenue over expenses	1,875,071	3,823,676	309,628	620,532	1,084,897	507,064	3,268,596	4,951,272
Fund transfers, net								
Endowments	(12,475)	(14,351)	-	-	12,475	14,351	-	-
PolioPlus	(352,208)	2,250	352,206	(2,250)	-	-	-	-
	(364,683)	(12,101)	352,206	(2,250)	12,475	14,351	-	-
Fund balances, End of year	\$ 12,012,097	\$ 10,501,709	\$ 5,457,174	\$ 4,795,338	\$ 8,506,274	\$ 7,408,902	\$ 25,975,545	\$ 22,705,949

See accompanying notes to the financial statements.

The Rotary Foundation (Canada)

Statement of cash flows

Year ended June 30

2015

2014

Cash flows provided by operating activities		
Excess of revenue over expenses	\$ 3,269,596	\$ 4,951,272
Change in unrealized gain on investments	751,741	(2,723,589)
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Endowment fund direct contributions	(1,084,897)	(507,064)
Contributed securities	(701,566)	(203,143)
Realized (gain) on sale of investments, net of fees	(2,451,295)	(439,169)
Changes in operating assets and liabilities:		
Pledges receivable – net	(940,951)	93,145
Prepaid expenses and other assets	(50,987)	(33,531)
Accrued program awards and accrued liabilities	348,069	233,493
Due to The Rotary Foundation of Rotary International	3,337,761	(1,569,512)
Deferred grant revenue	<u>1,200,000</u>	<u>-</u>
	<u>3,677,471</u>	<u>(198,098)</u>
Cash flows provided by (used in) investing activities		
Purchase of investments in Canadian portfolio	(3,187,648)	(372,571)
Purchase of investments in portfolio held by The Rotary Foundation of Rotary International	(9,881,144)	-
Proceeds from sale of investments	8,274,584	1,799,819
Change in short-term investments	<u>2,908</u>	<u>197,091</u>
	<u>(4,791,300)</u>	<u>1,624,339</u>
Cash flows provided by financing activities		
Proceeds from Endowment fund direct contributions	<u>1,084,897</u>	<u>507,064</u>
Net (decrease) increase in cash and cash equivalents	(28,933)	1,933,305
Cash and cash equivalents, beginning of year	<u>3,374,982</u>	<u>1,441,677</u>
Cash and cash equivalents, end of year	<u>\$ 3,346,049</u>	<u>\$ 3,374,982</u>
Supplementary cash flow information:		
Securities donated	\$ <u>701,566</u>	\$ <u>203,143</u>
Life insurance policies received	\$ <u>-</u>	\$ <u>-</u>
Interest received	\$ <u>20,655</u>	\$ <u>13,687</u>

See accompanying notes to the financial statements.

The Rotary Foundation (Canada)

Notes to the financial statements

June 30, 2015

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). The Rotary Foundation (Canada) is required to disburse a portion of its income upon charitable activities in order to maintain its tax exempt status under the Act.

2. Significant accounting policies

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

Basis of 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).

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. Items subject to significant management estimates include allowance for doubtful accounts.

Foreign currency translation

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

Cash and cash equivalents

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

The Rotary Foundation (Canada)

Notes to the financial statements

June 30, 2015

2. Significant accounting policies (continued)

Pledges receivable

Pledges receivable are recorded net of discount for the present value of the expected future cash flows using a risk adjusted rate.

Funds

(i) Unrestricted general fund

The Unrestricted "General" fund revenue consists primarily of voluntary contribution 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 with related costs recorded in this fund.

(ii) Temporarily Restricted fund

The Temporarily Restricted fund contains the following:

a) Voluntary contributions, with certain donor-imposed restrictions, where fund reduction or removal is dependent upon fulfillment of their stipulated purposes. The Temporarily Restricted fund consists mainly of contributions designated towards polio eradication.

b) Investment earnings on endowment funds. The Rotary Foundation (Canada) policy stipulates that a portion of the Endowment Fund's net investment return be used to support the programs of The Rotary Foundation (Canada), including reasonable administrative costs in accordance with the conditions agreed upon at the time of gift acceptance and in accordance with the spending policy. The Rotary Foundation (Canada)'s Board adopted The Rotary Foundation of Rotary International's spendable earnings policy which includes distributing a portion of investment earnings on endowment funds towards program awards and expenses as approved by The Rotary Foundation (Canada)'s Board. The distributed portion is released from restrictions and transferred to the unrestricted fund which contains the related expenses. The unspent portion of the Endowment Fund's net investment return is classified as temporarily restricted.

c) from time to time, The Rotary Foundation (Canada) receives term gifts and also assigns these items with a temporarily restricted designation.

(iii) Permanently Restricted Endowments fund

The Rotary Foundation (Canada)'s Permanently Restricted Endowment Fund is composed 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) in perpetuity. Investment earnings are recorded in the temporarily restricted fund and used to finance programs of The Rotary Foundation (Canada) based on the terms of the gift and spending policy.

The Rotary Foundation (Canada)

Notes to the financial statements

June 30, 2015

2. Significant accounting policies (continued)

Fund transfers

Districts that wish to support other Rotary efforts, such as polio eradication projects, may request a fund transfer at any point in time during the fiscal year. Often times, such requests result in transfers from one fund account to another, as reflected on The Rotary Foundation (Canada)'s statement of fund balances.

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

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 transactions.

Financial assets or liabilities obtained in related party transactions are measured in accordance with the accounting policy for related party transactions 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 investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net 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 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.

The Rotary Foundation (Canada)

Notes to the financial statements

June 30, 2015

2. Significant accounting policies (continued)

Investments

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

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. The full value of the mutual fund investment is realized upon unit redemption.

Prepaid expenses and other assets

Prepaid expenses and other assets in the amount of \$807,562 at June 30, 2015 (2014 - \$756,575), include the cash surrender value of donated life insurance policies. Contributed 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.

Accrued program awards

The Rotary Foundation (Canada) records 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.

Revenue recognition

The Rotary Foundation (Canada) uses the restricted fund method of accounting for contributions. Under the restricted fund method, endowment contributions are accumulated in the endowment fund balance. Other internally and externally restricted contributions are accumulated in the statement of financial position as part of the appropriate restricted fund balance.

Contributions and unconditional pledges are recognized as revenue at 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. Proceeds from life insurance policies, which vest irrevocably with The Rotary Foundation (Canada), are recognized as revenue when the proceeds are received.

Program expenses and administrative expenses

In accordance with the agency agreement, effective July 1, 1999, The Rotary Foundation (Canada) is charged program and administrative expenses by The Rotary Foundation of Rotary International.

The Rotary Foundation (Canada)

Notes to the financial statements

June 30, 2015

3. Pledges receivable

During the year The Rotary Foundation (Canada) received ten new unconditional multi-year pledges totalling \$1,324,280 (2014 – two unconditional pledges totalling \$131,129). The pledge fair value is calculated based on the Bank of Canada rate of zero-coupon bonds for the term of each pledge.

	<u>2015</u>	<u>2014</u>
Pledges receivable, beginning of year	\$ 167,390	\$ 260,535
Unconditional pledges recognized in the year	1,346,718	132,485
Discount revaluation of unconditional pledges recognized in the year	(22,438)	(1,356)
Foreign exchange revaluation at year end	137,765	(260)
Amounts collected during the year	<u>(521,094)</u>	<u>(224,014)</u>
Pledges receivable, end of year	<u>\$ 1,108,341</u>	<u>\$ 167,390</u>

4. Investments

Short-term investments consist of cash held in fixed-term deposits with a maturity date of 90 or more days, as well as any contributed stock gifts not yet sold. At June 30, 2015, there were no short-term investments reported by The Rotary Foundation (Canada) (2014 - \$2,908).

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

	<u>2015</u>	<u>2014</u>
Canadian investment portfolio		
Cash and cash equivalents	\$ 1,813,976	\$ 1,684,105
Short-term investments	-	2,908
Fixed income	5,207,821	6,109,467
Equities	<u>9,848,320</u>	<u>12,040,586</u>
	<u>\$ 16,870,117</u>	<u>\$ 19,837,066</u>

Endowment investment portfolio held by The Rotary Foundation of Rotary International

Cash and cash equivalents	\$ 1,004,160	\$ -
Fixed income	1,793,760	-
Equities	3,835,793	-
Other Investments	<u>3,525,657</u>	<u>-</u>
	<u>\$ 10,159,370</u>	<u>\$ -</u>
Total investments at market value on June 30, 2015	<u>\$ 27,029,487</u>	<u>\$ 19,837,066</u>

The Rotary Foundation (Canada)

Notes to the financial statements

June 30, 2015

4. Investments (continued)

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 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 Advisory Committee.

Net investment return components from the Canadian investment portfolio, at year end include:

	<u>2015</u>	<u>2014</u>
Interest	\$ 20,655	\$ 13,687
Dividends	288,462	372,767
Realized capital gain – excluding fees	2,463,401	444,217
Unrealized gains on investments	(1,029,967)	2,723,589
Bank and other fees	(29,265)	(21,135)
Investment service fees	(66,417)	(63,343)
Donated insurance valuation changes	46,315	32,326
Investment foreign exchange gain	209,656	50,278
	<u>\$ 1,902,840</u>	<u>\$ 3,552,386</u>

Net investment return components from the Endowment investment portfolio, at year end include:

	<u>2015</u>	<u>2014</u>
Interest	\$ 14,077	\$ -
Dividends	39,871	-
Realized capital gain – excluding fees	185,428	-
Unrealized gains on investments	50,731	-
Investment service fees and other fees	(11,881)	-
	<u>\$ 278,226</u>	<u>\$ -</u>
Total net investment return	<u>\$ 2,181,066</u>	<u>\$ 3,552,386</u>

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 2015, 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.

The Rotary Foundation (Canada)

Notes to the financial statements

June 30, 2015

6. Program awards and expenses

	2015		
	<u>Awards</u>	<u>Expenses</u>	<u>Total</u>
Legacy Programs			
Matching & 3-H grants	\$ (60,417)	\$ -	\$ (60,417)
District simplified grants	(3,617)	-	(3,617)
	<u>(64,034)</u>	<u>-</u>	<u>(64,034)</u>
PolioPlus program	2,008,800	53,400	2,062,200
Global grants	4,534,053	494,674	5,028,727
Packaged grants	18,409	2,008	20,417
District grants	<u>745,336</u>	<u>81,318</u>	<u>826,654</u>
	<u>\$ 7,242,564</u>	<u>\$ 631,400</u>	<u>\$ 7,873,964</u>
	2014		
	<u>Awards</u>	<u>Expenses</u>	<u>Total</u>
Legacy Programs			
Scholarships	\$ 119	\$ -	\$ 119
Group study exchange	(7,339)	-	(7,339)
Matching & 3-H grants	36,463	-	36,463
District simplified grants	<u>(29,467)</u>	<u>-</u>	<u>(29,467)</u>
	<u>(224)</u>	<u>-</u>	<u>(224)</u>
PolioPlus program	1,767,300	25,700	1,793,000
Global grants	2,333,247	393,400	2,726,647
Packaged grants	19,443	3,200	22,643
District grants	<u>829,230</u>	<u>140,100</u>	<u>969,330</u>
	<u>\$ 4,948,996</u>	<u>\$ 562,400</u>	<u>\$ 5,511,396</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 Rotary Foundation (Canada)

Notes to the financial statements

June 30, 2015

7. Allocation of expenses (continued)

The natural classification for these expenses is as follows:

	<u>2015</u>	<u>2014</u>
Program operations	\$ 631,400	\$ 562,400
Development expenses	318,200	304,200
General administration	<u>87,700</u>	<u>94,000</u>
	<u>\$ 1,037,300</u>	<u>\$ 960,600</u>

8. Endowments

Changes in Permanently Restricted Endowment Fund for the year ended June 30, 2015 is as follows:

	<u>2015</u>			<u>Endowment Income Included in Temporarily Restricted Fund</u>
	<u>Board Designated Endowment Funds</u>	<u>Endowment Contributions</u>	<u>Total Permanently Restricted Endowment Fund</u>	
Endowment fund, beginning of year	\$ 46,939	\$ 7,361,963	\$ 7,408,902	\$ 2,240,156
Contributions	-	1,084,897	1,084,897	-
Investment return including change in market value	-	-	-	278,226
Transfer of funds	12,475	-	12,475	-
Appropriation of endowment investment income for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>(407,239)</u>
Endowment fund, end of year	<u>\$ 59,414</u>	<u>\$ 8,446,860</u>	<u>\$ 8,506,274</u>	<u>\$ 2,111,143</u>

The Rotary Foundation (Canada) Notes to the financial statements

June 30, 2015

8. Endowments (continued)

Changes in endowment composition by net asset class for the year ended June 30, 2014 is as follows:

	2014			Endowment Income Included in Temporarily Restricted Fund
	Board Designated Endowment Funds	Endowment Contributions	Total Permanently Restricted Fund	
Endowment fund, beginning of year	\$ 32,588	\$ 6,854,899	\$ 6,887,487	\$ 1,598,815
Contributions	-	507,064	507,064	-
Investment return including change in market value	-	-	-	948,674
Transfer of funds	14,351	-	14,351	-
Appropriation of endowment investment income for expenditure	-	-	-	(307,333)
Endowment fund, end of year	\$ 46,939	\$ 7,361,963	\$ 7,408,902	\$ 2,240,156

9. 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 at June 30, 2015:

Credit risk

Credit risk arises from cash and cash equivalents and investments held with financial institutions and credit exposures on outstanding receivables. Cash and cash equivalents and term investments are held at major financial institutions minimizing any potential exposure to credit risk. It is management's opinion that the risk related to receivables is minimal as they have 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.

The Rotary Foundation (Canada)

Notes to the financial statements

June 30, 2015

9. 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. As at June 30, 2015, cash of \$45,253 (2014 – \$61,169) are denominated in US dollars and converted into Canadian dollars. Foreign currency transactions are translated in the month of the transaction.

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.

10. Partnership for Community Development

In fiscal year 2015, The Rotary Foundation (Canada) entered into a five year grant agreement with Department of Foreign Affairs, Trade and Development ("DFATD") on behalf of the Government of Canada to support Canadian Rotarian's humanitarian actions and efforts to "Do Good in the World" DFATD 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.

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 DFATD's appropriation is changed by the government or if funds are not available for any other reason, the grant may be reduced or the agreement terminated.

In the current year, \$1,200,000 was received and has been included in deferred grant revenue as it relates to activities in the next fiscal period.

11. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.