

# **Calgary Rotary Clubs Foundation**

Financial Statements  
**February 29, 2012**



June 19, 2012

## **Independent Auditor's Report**

### **To the Members of Calgary Rotary Clubs Foundation**

We have audited the accompanying financial statements of **Calgary Rotary Clubs Foundation**, which comprise the statement of financial position as at February 29, 2012 and the statement of revenue and expenses and changes in fund balances for the year then ended, and the related notes including a summary of significant accounting policies.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 Calgary Rotary Clubs Foundation as at February 29, 2012 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

**Chartered Accountants**  
Calgary, Alberta

# Calgary Rotary Clubs Foundation

## Statement of Financial Position

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	As at February 29, 2012 \$	As at February 28, 2011 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	195,456	93,637
Accounts receivable	18,233	35,182
	<u>213,689</u>	<u>128,819</u>
<b>Investments</b>		
Fixed income securities	16,732,480	19,566,243
Canadian equity pooled funds	18,234,777	16,397,431
	<u>34,967,257</u>	<u>35,963,674</u>
<b>Life insurance</b>		
Cash surrender value of life insurance policies (face value \$1,638,247; 2011 – \$1,636,366)	197,097	213,531
	<u>35,378,043</u>	<u>36,306,024</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	20,757	208,614
Payable to member clubs	1,559,237	2,580,810
	<u>1,579,994</u>	<u>2,789,424</u>
<b>Fund balances</b>		
General Fund (note 3)	31,704,584	31,835,204
Designated Fund (note 4)	2,093,465	1,681,396
	<u>33,798,049</u>	<u>33,516,600</u>
	<u>35,378,043</u>	<u>36,306,024</u>

Approved by the Board of Directors

\_\_\_\_\_ Director \_\_\_\_\_ Director

# Calgary Rotary Clubs Foundation

## Statement of Revenue and Expenses and Changes in Fund Balances

For the year ended

			February 29, 2012	February 28, 2011
	General Fund \$	Designated Fund \$	Total \$	Total \$
<b>Revenue</b>				
Interest income	6,920	-	6,920	13,881
Contributions	9,697	515,898	525,595	334,211
Realized and unrealized gains on investments	1,469,022	-	1,469,022	3,701,642
	<u>1,485,639</u>	<u>515,898</u>	<u>2,001,537</u>	<u>4,049,734</u>
<b>Expenses</b>				
Investment management fees	129,499	-	129,499	350,870
Professional fees	11,760	-	11,760	11,261
Office and miscellaneous	4,158	-	4,158	8,087
	<u>145,417</u>	<u>-</u>	<u>145,417</u>	<u>370,218</u>
<b>Excess of revenue over expenses before the following</b>	<b>1,340,222</b>	<b>515,898</b>	<b>1,856,120</b>	<b>3,679,516</b>
Decrease in cash surrender value of life insurance policies	(16,434)	-	(16,434)	(22,880)
<b>Excess of revenue over expenses</b>	<b>1,323,788</b>	<b>515,898</b>	<b>1,839,686</b>	<b>3,656,636</b>
<b>Fund balances – Beginning of year</b>	<b>31,835,204</b>	<b>1,681,396</b>	<b>33,516,600</b>	<b>32,397,747</b>
Endowment contributions	1,000	-	1,000	12,613
Distribution to member clubs	(1,559,237)	-	(1,559,237)	(2,550,396)
Interfund transfers – expiration of 10 year retention period	103,829	(103,829)	-	-
<b>Fund balances – End of year</b>	<b>31,704,584</b>	<b>2,093,465</b>	<b>33,798,049</b>	<b>33,516,600</b>

# Calgary Rotary Clubs Foundation

Notes to Financial Statements

February 29, 2012

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## 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 net earnings 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 of Alberta and has considered all required disclosures under Section 7(2) of the Act in preparing these financial statements.

## 2 Significant accounting policies

### 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 10 years. At the expiration of the 10 year period, the amounts are transferred to the General Fund.

### Revenue recognition

Unrestricted contributions are recognized as revenue of the General Fund when received. Unrestricted investment income and changes in investment market values are recognized as revenue in the General Fund. Restricted contributions pursuant to a donor restriction that they be maintained for a period of not less than 10 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 on Endowment contributions is recorded as revenue of the General Fund when earned.

Changes in cash surrender value of life insurance policies are reported when realized.

### Investments

Investments are recorded at fair market value, determined by stock prices or posted bid rates at year end. Investments include fixed income securities, Canadian equity pooled funds, as well as cash held short-term in broker accounts and short-term investments.

# Calgary Rotary Clubs Foundation

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## Distribution to Member Clubs

In fiscal 2011, distributions to or on direction of the member Rotary Clubs of Calgary was a minimum of 5% of total assets, plus 50% of any net earnings of the portfolio in excess of the basic 5% distribution to a maximum of 10%.

Beginning in fiscal 2012, disbursements to member clubs are calculated based upon the 5% of average of the Fund balances at the Calgary Rotary Clubs Foundation year end for the three previous years. For this purpose, the Fund balances as at February 28, 2009, February 28, 2010 and February 28, 2011 were utilized in calculating the distribution amount.

## Contributed services and materials

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

## Statement of cash flows

A statement of cash flows has not been presented in these financial statements as it would not provide additional meaningful information.

## Financial instruments

The Foundation has chosen to follow the disclosure requirements of CICA Handbook Section 3861 instead of the new expanded rules set out in 3862 and 3863, in keeping with the options provided by Handbook Section 3862.43(c) and 3863.40(c).

The Foundation's financial instruments recognized in the balance sheet consists of cash, accounts receivable, investments, life insurance policies, accounts payable and accrued liabilities and payable to member clubs.

The Foundation has classified each financial instrument into the following categories:

Category	Financial Instrument
Loans or receivables	Accounts receivable, life insurance policies
Held-for-trading	Investments
Financial liabilities	Accounts payable and accrued liabilities, payable to member clubs

# Calgary Rotary Clubs Foundation

## Notes to Financial Statements

February 29, 2012

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The financial instruments must initially be recognized at fair value on the balance sheet. Subsequent measurement of the financial instruments is based on their classification. Financial loans or receivables and financial liabilities are measured at cost or amortized cost. Held-for-trading investments are recorded at market value with unrealized gains and losses reported in the statement of revenue and expenses in the General Fund.

- a) Price 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 investments and currency exchange rate changes impact the market value of the investments denominated in currencies other than the Canadian dollar. This risk is mitigated through the use of an investment manager for the long term portfolio investments and by investing other funds in short term fixed rate products with high credit ratings.
- b) Liquidity risk – The Foundation uses an investment manager for the investments it plans to hold for a long period of time. These investments are subject to liquidity risk if the Foundation is required to sell at a time that the market for the investments is unfavourable.
- c) Interest or credit risk – It is management's opinion that the Foundation is not exposed to significant interest or credit risk from these financial instruments.

The carrying amount of these financial instruments, except for investments and life insurance policies, approximate their fair market value due to their short-term maturity or capacity of prompt liquidation. Investments are recorded at their fair market value. The fair market value of life insurance policies approximates book value as they are stated at cash surrender value.

### 3 General Fund

The General Fund consists of the following:

#### *Endowment Contributions*

The following endowment contributions have been made by members of various Rotary Clubs in Calgary as noted below, the principal of which must be held in perpetuity:

	2012	2011
	\$	\$
The Rotary Club of Calgary	29,271,705	29,271,705
Rotary Club of Calgary South	206,500	206,500
Rotary Club of Calgary North – McNabb Estate	1,000,000	1,000,000
Rotary Club of Calgary North – Watson Endowment	102,809	101,809
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	30,581,014	30,580,014



# Calgary Rotary Clubs Foundation

Notes to Financial Statements

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## *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:

	2012 \$	2011 \$
The Rotary Club of Calgary	169,270	190,839
Rotary Club of Calgary South	27,827	22,692
	<hr/> 197,097	<hr/> 213,531
<b>Accumulated excess of net revenue over distributions to member clubs</b>	<hr/> 926,473	<hr/> 1,041,659
<b>Total General Fund</b>	<hr/> 31,704,584	<hr/> 31,835,204

## 4 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 10 years. Upon expiration of the 10 year restriction, the funds are transferred to the General Fund and are available for further retention or distribution to member Rotary Clubs.

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

Year of Expiry	Amount of Restricted Contribution \$
2013	167,000
2014	214,250
2015	150,109
2016	68,756
2017	268,467
2018	92,005
2019	173,643
2020	133,194
2021	310,143
2022	515,898
	<hr/> 2,093,465

# Calgary Rotary Clubs Foundation

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## 5 Related party transactions

During the year, the Foundation received unrestricted contributions of \$9,697 (2011 – \$24,068) externally restricted contributions as described in note 4 of \$515,898 (2011 – \$310,143) and endowment contributions from members of Rotary Clubs in Calgary as follows:

- a) The Foundation is the beneficiary under the terms of the will of Everett S. Mayhood, a member of the Rotary Club of Calgary, who died on July 25, 2005. During the current fiscal year, the Foundation received an endowment contribution of \$nil (2011 – \$11,613) as a beneficiary of the will.
- b) During the year, the Foundation received endowment contributions from Marg and Bud Watson, referred to as the “Watson Endowment” in the amount of \$1,000 (2011 – \$1,000). This endowment is for the benefit of Rotary Club of Calgary North.

During the year, the Foundation has recorded disbursements to Member Clubs of \$1,559,237 (2011 – \$2,550,396).

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

## 6 Capital disclosures

The Foundation defines its capital as the amounts included in its Fund balances.

The Foundation's objective when managing its capital is to safeguard the Foundation's ability to continue as a going concern so that it can continue to provide the appropriate level of benefits to its beneficiaries and its stakeholders.

A portion of Foundation's capital is restricted in that the Foundation is required to meet certain requirements in order to utilize its restricted balances as described in notes 3 and 4. The Foundation has internal control processes to ensure that the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.

The Foundation sets the amount of Fund balances in proportion to risk, manages the Fund balance structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

# Calgary Rotary Clubs Foundation

## Schedule of Distributions to Member Clubs

(Unaudited)

For the year ended February 29, 2012

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	2012 \$	2011 \$
<b>Distributions to Member Clubs calculated as per accounting policy (see note 2)</b>		
The Rotary Club of Calgary	1,393,636	2,298,127
Rotary Club of Calgary – South	84,911	126,116
Rotary Club of Calgary – West	15,592	22,378
Rotary Club of Calgary – East	4,219	6,607
Rotary Club of Calgary – North	52,065	84,677
Rotary Club of Calgary – Olympic	895	1,331
Rotary Club of Calgary – Sarcee	580	758
Rotary Club of Calgary – Heritage Park	1,047	1,588
Rotary Club of Calgary – Centennial	638	913
Rotary Club of Calgary – Fish Creek	421	553
Rotary Club of Calgary – Chinook	4,916	7,165
Rotary Club of Calgary – Crowchild	189	183
Rotary Club of Calgary – Millenium	128	-
	<u>1,559,237</u>	<u>2,550,396</u>

# Calgary Rotary Clubs Foundation

## Continuity Schedule of Balances by Member Club (Unaudited)

For the year ended February 29, 2012

	Balance – 2011 \$	Contribution revenue and endowment contributions \$	Investment funds distributed \$	Allocation of income \$	Balance – 2012 \$
The Rotary Club of Calgary	2,164,526	29,537	101,344	86,479	2,179,198
The Rotary Club of Calgary – Mayhood Endowment	27,727,532	-	1,292,292	1,102,737	27,537,977
Rotary Club of Calgary – South	1,539,613	273,082	76,133	64,966	1,801,528
Rotary Club of Calgary South – SNUG Endowment	188,345	-	8,778	7,491	187,058
Rotary Club of Calgary – West	307,129	76,776	15,592	13,305	381,618
Rotary Club of Calgary – East	87,522	4,000	4,219	3,600	90,903
Rotary Club of Calgary – North	41,501	104,055	2,000	1,707	145,263
Rotary Club of Calgary North – Dr. McNabb Endowment	966,952	-	45,067	38,456	960,341
Rotary Club of Calgary North – Watson Endowment	106,988	1,000	4,998	4,265	107,255
Rotary Club of Calgary – Olympic	17,809	2,150	895	764	19,828
Rotary Club of Calgary – Centennial	12,361	2,000	638	545	14,268
Rotary Club of Calgary – Fish Creek	7,691	2,000	421	359	9,629
Rotary Club of Calgary – Heritage Park	21,134	2,000	1,047	894	22,981
Rotary Club of Calgary – Sarcee	10,354	3,000	580	495	13,269
Rotary Club of Calgary – Crowchild	2,882	2,000	189	161	4,854
Rotary Club of Calgary – Chinook	100,730	18,992	4,916	4,195	119,001
Rotary Club of Calgary – Millenium	-	6,000	128	109	5,981
	<b>33,303,069</b>	<b>526,592</b>	<b>1,559,237</b>	<b>1,330,528</b>	<b>33,600,952</b>

\*For the purpose of this schedule, allocation of income is defined as the excess of revenue over expenses net of contributions and increase in cash surrender value of life insurance policies.

