

# **The Calgary Rotary Clubs Foundation**

Financial Statements  
**February 28, 2013 and  
February 29, 2012**

June 12, 2013

## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of **The Calgary Rotary Clubs Foundation**, which comprise the statements of financial position as at February 28, 2013, February 29, 2012 and March 1, 2011, and the statements of revenue and expenses and changes in fund balances and cash flows for the years ended February 28, 2013 and February 29, 2012, 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 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.

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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 The Calgary Rotary Clubs Foundation as at February 28, 2013, February 29, 2012 and March 1, 2011 and the results of its operations and its cash flows for the years ended February 28, 2013 and February 29, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

**Chartered Accountants**

# The Calgary Rotary Clubs Foundation

## Statements of Financial Position

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	As at February 28, 2013 \$	As at February 29, 2012 \$ (restated – see note 8)	As at March 1, 2011 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash	215,656	195,456	93,637
Accounts receivable	25,874	44,253	35,182
	<u>241,530</u>	<u>239,709</u>	<u>128,819</u>
<b>Investments</b>			
Fixed income securities	19,641,075	16,732,480	19,566,243
Canadian equity pooled funds	17,803,066	18,234,777	16,397,431
	<u>37,444,141</u>	<u>34,967,257</u>	<u>35,963,674</u>
<b>Life insurance</b>			
Cash surrender value of life insurance policies (face value – \$1,631,000; 2012 – \$1,638,366; 2011 – \$1,636,366)	163,622	197,097	213,531
	<u>37,849,293</u>	<u>35,404,063</u>	<u>36,306,024</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	26,497	582	208,614
Prior year member distributions payable	45,679	46,195	-
Current year payable to member clubs	1,595,081	1,559,237	2,580,810
	<u>1,667,257</u>	<u>1,606,014</u>	<u>2,789,424</u>
<b>Fund balances</b>			
General Fund (note 4)	34,120,013	31,806,544	31,835,204
Designated Fund (note 5)	2,062,023	1,991,505	1,681,396
	<u>36,182,036</u>	<u>33,798,049</u>	<u>33,516,600</u>
	<u>37,849,293</u>	<u>35,404,063</u>	<u>36,306,024</u>

Approved by the Board of Directors

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Director

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Director

# The Calgary Rotary Clubs Foundation

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

	For the year ended February 28, 2013			For the year ended February 29, 2012		
	General Fund \$	Designated Fund \$	Total \$	General Fund \$ (restated – see note 8)	Designated Fund \$ (restated – see note 8)	Total \$
<b>Revenue</b>						
Interest income	1,320	-	1,320	6,920	-	6,920
Contributions	22,229	237,518	259,747	9,697	413,938	423,635
Realized and unrealized gains on investments	3,977,810	-	3,977,810	1,469,022	-	1,469,022
	<u>4,001,359</u>	<u>237,518</u>	<u>4,238,877</u>	<u>1,485,639</u>	<u>413,938</u>	<u>1,899,577</u>
<b>Expenses</b>						
Investment management fees	177,358	-	177,358	129,499	-	129,499
Professional fees	12,180	-	12,180	11,760	-	11,760
Office and miscellaneous	37,796	-	37,796	4,158	-	4,158
	<u>227,334</u>	<u>-</u>	<u>227,334</u>	<u>145,417</u>	<u>-</u>	<u>145,417</u>
<b>Excess of revenue over expenses before the following</b>	<b>3,774,025</b>	<b>237,518</b>	<b>4,011,543</b>	<b>1,340,222</b>	<b>413,938</b>	<b>1,754,160</b>
Decrease in cash surrender value of life insurance policies	(33,475)	-	(33,475)	(16,434)	-	(16,434)
<b>Excess of revenue over expenses</b>	<b>3,740,550</b>	<b>237,518</b>	<b>3,978,068</b>	<b>1,323,788</b>	<b>413,938</b>	<b>1,737,726</b>
<b>Fund balances – Beginning of year</b>	<b>31,806,544</b>	<b>1,991,505</b>	<b>33,798,049</b>	<b>31,835,204</b>	<b>1,681,396</b>	<b>33,516,600</b>
Endowment contributions	1,000	-	1,000	102,960	-	102,960
Distribution to member clubs	(1,595,081)	-	(1,595,081)	(1,559,237)	-	(1,559,237)
Interfund transfers – expiration of 10 year retention period	167,000	(167,000)	-	103,829	(103,829)	-
<b>Fund balances – End of year</b>	<b>34,120,013</b>	<b>2,062,023</b>	<b>36,182,036</b>	<b>31,806,544</b>	<b>1,991,505</b>	<b>33,798,049</b>

# The Calgary Rotary Clubs Foundation

## Statements of Cash Flows

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	For the year ended February 28, 2013 \$	For the year ended February 29, 2012 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenues over expenses for the year	3,978,068	1,737,726
Items not affecting cash		
Decrease in cash surrender value of life insurance policies	33,475	16,434
Unrealized gains on investments	(3,977,810)	(1,469,022)
Change in non-cash working capital items		
Accounts receivable	18,379	(9,071)
Accounts payable and accrued liabilities	25,915	(208,032)
Prior year member distributions payable	(516)	46,195
Current year payable to member clubs	35,844	(1,021,573)
	<u>113,355</u>	<u>(907,343)</u>
<b>Investing activities</b>		
Net purchases and sales of investments	<u>(94,155)</u>	<u>906,202</u>
<b>Financing activities</b>		
Endowment contribution	<u>1,000</u>	<u>102,960</u>
<b>Net change in cash for the year</b>	<b>20,200</b>	<b>101,819</b>
<b>Cash and cash equivalents – Beginning of year</b>	<u>195,456</u>	<u>93,637</u>
<b>Cash and cash equivalents – End of year</b>	<u>215,656</u>	<u>195,456</u>

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

# The Calgary Rotary Clubs Foundation

## Notes to Financial Statements

February 28, 2013 and February 29, 2012

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### 1 Nature of organization

The objective of The Calgary Rotary Clubs Foundation (the “Foundation” or “Organization”) 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 ASNPO transition

Effective March 1, 2012, the Organization elected to adopt Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board. The accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect. There were no adjustments to the statements of financial position or the statements of revenue and expenses and changes in fund balances as a result of the transition. This transition now requires the Organization to present a statement of cash flows.

The Organization has utilized the following transitional exemption on the adoption of ASNPO.

- The Organization has elected to carry all investments at fair value.

### 3 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.

# The Calgary Rotary Clubs Foundation

## Notes to Financial Statements

February 28, 2013 and February 29, 2012

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### **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 in the period the gain or loss occurs.

### **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.

### **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 Club's previous year end balance plus the weighted average of the contributions made by each Club during the current year.

### **Distribution to Member Clubs**

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

In fiscal 2013, the Board amended the disbursement policy in order to reduce the risk of significant variations from year to year due to investment market volatility or large donations.

- Disbursements to member clubs were calculated based upon 5% of average closing fund balances at the Calgary Rotary Clubs Foundation year-end for the three previous years less contributions received in the most recent year. For 2013, the fund balances as at February 28, 2010, February 28, 2011 and February 29, 2012 were utilized in calculating the 2013 distribution amount.
- The annual distribution amount for each participating Rotary Club will be calculated on a pro rata basis according to the cumulative fund balances held to the credit of the respective Rotary Clubs at the immediately preceding fiscal year-end.



# The Calgary Rotary Clubs Foundation

## Notes to Financial Statements

February 28, 2013 and February 29, 2012

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### **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, and prior year member distributions payable, and current year payable to member clubs. The Foundation measures its investments at fair value.

- 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 and fixed income 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) Credit risk – It is management's opinion that the Foundation is not exposed to significant interest or credit risk from these financial instruments.

# The Calgary Rotary Clubs Foundation

## Notes to Financial Statements

February 28, 2013 and February 29, 2012

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### 4 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:

	February 28, 2013 \$	February 28, 2012 \$ (restated – see note 8)	March 1, 2011 \$
The Rotary Club of Calgary	29,271,705	29,271,705	29,271,705
Rotary Club of Calgary South	206,500	206,500	206,500
Rotary Club of Calgary North – McNabb Estate	1,000,000	1,000,000	1,000,000
Rotary Club of Calgary North – Ernest Hauser Endowment	101,960	101,960	-
Rotary Club of Calgary North – Watson Endowment	103,809	102,809	101,809
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	30,683,974	30,682,974	30,580,014

#### *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:

	February 28, 2013 \$	February 28, 2012 \$ (restated – see note 8)	March 1, 2011 \$
The Rotary Club of Calgary	137,578	169,270	190,839
Rotary Club of Calgary South	26,044	27,827	22,692
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	163,622	197,097	213,531
	<hr/>	<hr/>	<hr/>
<b>Accumulated excess of net revenue over distributions to member clubs</b>	3,272,417	926,473	1,041,659
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<b>Total General Fund</b>	34,120,013	31,806,544	31,835,204

# The Calgary Rotary Clubs Foundation

## Notes to Financial Statements

February 28, 2013 and February 29, 2012

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### 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 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 \$
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	413,938
2023	237,518
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	2,062,023
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### 6 Related party transactions

During the year, the Foundation received unrestricted contributions of \$22,229 (2012 – \$9,697), externally restricted contributions as described in note 5 of \$237,518 (2012 – \$413,938) and endowment contributions from members of Rotary Clubs in Calgary as follows:

- 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 (2012 – \$1,000). This endowment is for the benefit of Rotary Club of Calgary North.
- In 2012, the Foundation received endowment contributions from Ernest Hauser in the amount of \$101,960. This endowment is for the benefit of the Rotary Club of Calgary North.
- During the year, the Foundation has recorded disbursements to Member Clubs of \$1,595,081 (2012 – \$1,559,237).

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

### 7 Comparative figures

Certain comparative figures have been restated to conform to the current year presentation.

# **The Calgary Rotary Clubs Foundation**

Notes to Financial Statements

February 28, 2013 and February 29, 2012

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## **8 Prior year restatement**

An endowment contribution received for the year ended February 29, 2012 was incorrectly recorded as a contribution in the designated fund. The resulting effect on the 2012 financial statements is a decrease to contributions received in the designated fund of \$101,960 and an increase to fund balances in the general fund of \$101,960.

# The Calgary Rotary Clubs Foundation

## Schedules of Distributions to Member Clubs

(Unaudited)

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	For the year ended February 28, 2013 \$	For the year ended February 29, 2012 \$
<b>Distributions to Member Clubs calculated as per accounting policy (see note 3)</b>		
The Rotary Club of Calgary	1,437,876	1,393,636
Rotary Club of Calgary – South	78,084	84,911
Rotary Club of Calgary – West	14,406	15,592
Rotary Club of Calgary – East	4,175	4,219
Rotary Club of Calgary – North	52,938	52,065
Rotary Club of Calgary – Olympic	814	895
Rotary Club of Calgary – Sarcee	455	580
Rotary Club of Calgary – Heritage Park	978	1,047
Rotary Club of Calgary – Centennial	551	638
Rotary Club of Calgary – Fish Creek	287	421
Rotary Club of Calgary – Chinook	4,425	4,916
Rotary Club of Calgary – Crowchild	92	189
Rotary Club of Calgary – Millenium	-	128
	<hr/> 1,595,081	<hr/> 1,559,237

**The Calgary Rotary Clubs Foundation**  
**Continuity Schedules of Balances by Member Club**  
**(Unaudited)**

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	Balance – February 29, 2012 \$	Contribution revenue and endowment contributions \$	Investment funds distributed \$	Allocation of income \$	Balance – February 28, 2013 \$
The Rotary Club of Calgary	2,179,198	53,837	103,844	244,252	2,373,443
The Rotary Club of Calgary - Mayhood Endowment	27,537,977	-	1,304,862	3,069,171	29,302,286
The Rotary Club of Calgary South The Rotary Club of Calgary South SNUG Endowment	1,801,528	140,724	86,382	203,179	2,059,049
The Rotary Club of Calgary West	187,058	-	8,925	20,993	199,126
The Rotary Club of Calgary East	381,618	44,778	18,975	44,631	452,052
The Rotary Club of Calgary North	90,903	300	4,311	10,140	97,032
The Rotary Club of Calgary North- Dr. McNabb Endowment	43,303	145	2,056	4,836	46,228
The Rotary Club of Calgary North - Watson Endowment	960,341	-	45,506	107,035	1,021,870
The Rotary Club of Calgary North - Ernest Hauser Endowment	107,255	1,000	5,114	12,029	115,170
The Rotary Club of Calgary Olympic	101,960	-	4,831	11,363	108,492
The Rotary Club of Calgary - Centennial	19,828	1,300	955	2,246	22,419
The Rotary Club of Calgary Fish Creek	14,268	-	676	1,590	15,182
The Rotary Club of Calgary Heritage Park	9,629	-	456	1,073	10,246
The Rotary Club of Calgary Sarcee	22,981	-	1,089	2,561	24,453
The Rotary Club of Calgary Crowchild	13,269	150	630	1,482	14,271
The Rotary Club of Calgary Chinook	4,854	-	230	541	5,165
The Rotary Club of Calgary Millenium	119,001	12,513	5,798	13,637	139,353
	5,981	5,000	441	1,037	11,577
	<u>33,600,952</u>	<u>259,747</u>	<u>1,595,081</u>	<u>3,751,796</u>	<u>36,017,414</u>

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

