

The Calgary Rotary Clubs Foundation

Financial Statements
February 28, 2014 and 2013



June 20, 2014

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, 2014 and February 28, 2013, and the statements of revenue and expenses and changes in fund balances and cash flows for the years ended February 28, 2014 and February 28, 2013, and the related notes, including 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 in our audits 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, 2014 and February 28, 2013 and the results of its operations and its cash flows for the years ended February 28, 2014 and February 28, 2013 in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Accountants

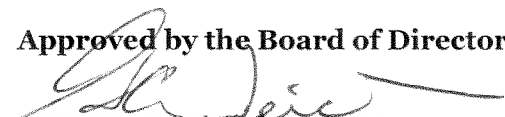
The Calgary Rotary Clubs Foundation

Statements of Financial Position

As at February 28, 2014 and 2013

	2014 \$	2013 \$
Assets		
Current assets		
Cash	350,196	215,656
Accounts receivable	30,581	25,874
	<hr/>	<hr/>
	380,777	241,530
Investments (note 3)	42,385,178	37,444,141
Life insurance		
Cash surrender value of life insurance policies (note 4)	139,155	163,622
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	42,905,110	37,849,293
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Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	20,395	26,497
Prior year member distributions payable	41,825	45,679
Current year payable to member clubs (note 7)	1,701,178	1,595,081
	<hr/>	<hr/>
	1,763,398	1,667,257
	<hr/>	<hr/>
Fund balances		
General Fund (note 5)	39,042,859	34,120,013
Designated Fund (note 6)	2,098,853	2,062,023
	<hr/>	<hr/>
	41,141,712	36,182,036
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	42,905,110	37,849,293
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Approved by the Board of Directors



Director



Director

The Calgary Rotary Clubs Foundation

Statements of Revenue and Expenses and Changes in Fund Balances

For the years ended February 28, 2014 and 2013

	2014			2013		
	General Fund \$	Designated Fund \$	Total \$	General Fund \$	Designated Fund \$	Total \$
Revenue						
Interest income	-	-	-	1,320	-	1,320
Contributions	9,800	251,080	260,880	22,229	237,518	259,747
Gains on investments	6,616,206	-	6,616,206	3,977,810	-	3,977,810
	6,626,006	251,080	6,877,086	4,001,359	237,518	4,238,877
Expenses						
Investment management fees	163,824	-	163,824	177,358	-	177,358
Professional fees	13,440	-	13,440	12,180	-	12,180
Office and miscellaneous	15,501	-	15,501	37,796	-	37,796
	192,765	-	192,765	227,334	-	227,334
Excess of revenue over expenses before the following	6,433,241	251,080	6,684,321	3,774,025	237,518	4,011,543
Decrease in cash surrender value of life insurance policies	(24,467)	-	(24,467)	(33,475)	-	(33,475)
Excess of revenue over expenses	6,408,774	251,080	6,659,854	3,740,550	237,518	3,978,068
Fund balances – Beginning of year	34,120,013	2,062,023	36,182,036	31,806,544	1,991,505	33,798,049
Endowment contributions	1,000	-	1,000	1,000	-	1,000
Distribution to member clubs	(1,701,178)	-	(1,701,178)	(1,595,081)	-	(1,595,081)
Interfund transfers – expiration of 10 year retention period	214,250	(214,250)	-	167,000	(167,000)	-
Fund balances – End of year	39,042,859	2,098,853	41,141,712	34,120,013	2,062,023	36,182,036

The Calgary Rotary Clubs Foundation

Statements of Cash Flows

For the years ended February 28, 2014 and 2013

	2014 \$	2013 \$
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	6,659,854	3,978,068
Items not affecting cash		
Decrease in cash surrender value of life insurance policies	24,467	33,475
Unrealized gains on investments	(3,359,286)	(3,977,810)
Change in non-cash working capital items		
Accounts receivable	(4,707)	18,379
Accounts payable and accrued liabilities	(6,102)	25,915
Prior year member distributions payable	(3,854)	(516)
Current year payable to member clubs	106,097	35,844
	<hr/> 3,416,469	<hr/> 113,355
Investing activities		
Net purchases and sales of investments	<hr/> (3,282,929)	<hr/> (94,155)
Financing activities		
Endowment contribution	<hr/> 1,000	<hr/> 1,000
Net change in cash for the year	<hr/> 134,540	<hr/> 20,200
Cash and cash equivalents – Beginning of year	<hr/> 215,656	<hr/> 195,456
Cash and cash equivalents – End of year	<hr/> <hr/> 350,196	<hr/> <hr/> 215,656

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

The Calgary Rotary Clubs Foundation

Notes to Financial Statements

For the years ended February 28, 2014 and 2013

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 (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

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 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, equity securities, equity pooled funds, fixed income funds, as well as cash held short-term in broker accounts and short-term investments.

The Calgary Rotary Clubs Foundation

Notes to Financial Statements

For the year ended February 28, 2014

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

In fiscal 2013, the Board of Directors 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.

- Distributions to member clubs were calculated based upon 5% of the average of the opening and closing fund balances of the Calgary Rotary Clubs Foundation for the three immediately preceding fiscal years, excluding donations received in the immediately preceding fiscal year. For 2014, the average of the opening and closing fund balances for each of 2011, 2012 and 2013 fiscal years, excluding from the 2013 closing balance and donations received during that year, were utilized in calculating the 2014 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, excluding donations received.

Contributed services and materials

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

The Calgary Rotary Clubs Foundation

Notes to Financial Statements

For the year ended February 28, 2014

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 investment managers 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 investment managers 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.

3 Investments

	2014 \$	2013 \$
Equity securities	2,921,941	12,106,782
Equity pooled funds	24,321,728	8,772,423
Fixed income securities	1,157,464	7,259,128
Fixed income funds	12,333,337	8,144,926
Short-term investments and cash held in broker accounts	1,650,708	1,160,882
	<u>42,385,178</u>	<u>37,444,141</u>

The Calgary Rotary Clubs Foundation

Notes to Financial Statements

For the year ended February 28, 2014

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:

	2014	2013
	\$	\$
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	1,206,769	1,205,769
	<hr/>	<hr/>
	30,684,974	30,683,974

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:

	2014	2013
	\$	\$
The Rotary Club of Calgary	109,819	137,578
Rotary Club of Calgary South	29,336	26,044
	<hr/>	<hr/>
	139,155	163,622
	<hr/>	<hr/>
Accumulated excess of net revenue over distributions to member clubs	8,218,730	3,272,417
	<hr/>	<hr/>
Total General Fund	39,042,859	34,120,013

The Calgary Rotary Clubs Foundation

Notes to Financial Statements

For the year ended February 28, 2014

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 \$
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
2024	251,080
	<hr/>
	2,098,853
	<hr/>

6 Related party transactions

During the year, the Foundation received unrestricted contributions of \$9,800 (2013 – \$22,229), externally restricted contributions as described in note 5 of \$251,080 (2013 – \$237,518) and endowment contributions from members of Rotary Clubs in Calgary as follows:

- a) 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 (2013 – \$1,000). This endowment is for the benefit of Rotary Club of Calgary North.
- b) During the year, the Foundation has recorded disbursements payable to member clubs of \$1,701,178 (2013 – \$1,595,081).

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)

	2014 \$	2013 \$
Distributions to Member Clubs calculated as per accounting policy (see note 3)		
The Rotary Club of Calgary	1,493,264	1,437,876
Rotary Club of Calgary – South	107,684	78,084
Rotary Club of Calgary – West	21,624	14,406
Rotary Club of Calgary – East	5,185	4,175
Rotary Club of Calgary – North	60,960	52,938
Rotary Club of Calgary – Olympic	1,469	814
Rotary Club of Calgary – Sarcee	733	455
Rotary Club of Calgary – Heritage Park	1,213	978
Rotary Club of Calgary – Centennial	776	551
Rotary Club of Calgary – Fish Creek	543	287
Rotary Club of Calgary – Chinook	6,818	4,425
Rotary Club of Calgary – Crowchild	304	92
Rotary Club of Calgary – Millenium	605	-
	<hr/> 1,701,178	<hr/> 1,595,081

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

	2013 \$	Contribution revenue and endowment contributions \$	Investment funds distributed \$	Allocation of income \$	2014 \$
The Rotary Club of Calgary	2,373,443	61,653	112,594	425,142	2,747,644
The Rotary Club of Calgary - Mayhood Endowment	29,302,286	-	1,380,670	5,213,242	33,134,858
The Rotary Club of Calgary South The Rotary Club of Calgary South SNUG Endowment	2,059,049	113,274	98,302	371,174	2,445,195
The Rotary Club of Calgary West	199,126	-	9,382	35,427	225,171
The Rotary Club of Calgary East	452,052	34,423	21,624	81,649	546,500
The Rotary Club of Calgary North	97,032	14,707	5,185	19,576	126,130
The Rotary Club of Calgary North - Dr. McNabb Endowment	46,228	2,023	2,241	8,463	54,473
The Rotary Club of Calgary North - Watson Endowment	1,021,870	-	48,149	181,803	1,155,524
The Rotary Club of Calgary North - Ernest Hauser Endowment	115,170	1,000	5,458	20,609	131,321
The Rotary Club of Calgary Olympic	108,492	-	5,112	19,302	122,682
The Rotary Club of Calgary - Centennial	22,419	12,054	1,469	5,548	38,552
The Rotary Club of Calgary Fish Creek	15,182	1,923	776	2,929	19,258
The Rotary Club of Calgary Heritage Park	10,246	1,923	543	2,051	13,677
The Rotary Club of Calgary Sarcee	24,453	1,923	1,213	4,579	29,742
The Rotary Club of Calgary Crowchild	14,271	1,923	733	2,767	18,228
The Rotary Club of Calgary Chinook	5,165	1,923	304	1,147	7,931
The Rotary Club of Calgary Millennium	139,353	11,208	6,818	25,745	169,488
	11,577	1,923	605	2,287	15,182
	<u>36,017,414</u>	<u>261,880</u>	<u>1,701,178</u>	<u>6,423,440</u>	<u>41,001,556</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.