

Overview of Financial Results for Year Ended February 28, 2019

The Calgary Rotary Clubs Foundation continued to provide positive investment returns in a year that continued to be marked by market volatility. Despite this market backdrop of uncertainty, global trade tensions and weakened global economic data, the Foundation ended the year with a 3.9% or \$2,002,414 return on its portfolio for the year. This return represented a decline from the prior year investment revenues of \$3,444,418. However the results speak highly of the continued economic uncertainty that challenged the markets in 2017 and 2018 and which continue to erode price fundamentals with valuation vulnerabilities into 2019.

The Foundation closed the current fiscal year with a healthy investment portfolio of \$53.3 million, an increase over the prior year of \$51.9 million. Revenues for the year continued to be encouraging for the Foundation amid market and economic challenges at home and abroad. The year ended with a total revenue increase of \$3,737,257. This included the above referenced investment revenues of \$2,002,414 as well as contributions from member clubs of \$1,732,112. The latter included life insurance redemptions, net of premiums paid and recovered by the Foundation, of \$1,487,673 which were anticipated at the close of the prior year.

Appreciation is given to the strong stewardship of our Investment Committee and the support of the Foundation's two investment manager counsels for achieving these results. The Committee also completed its review of the Foundation's Investment Policy during the year, and the Board approved changes to the policy to introduce alternative asset allocation classes and strategies for potential application in future years. Transition strategies to achieve potential new target allocation changes and alternative fund manager options will be developed in the upcoming year for the Board's consideration. In addition the Investment Committee, with the support of the Board, initiated further steps to promote and pilot a legacy giving plan with the Rotary Club of Calgary with the goal of integrating the planning and outcomes to the benefit of all interested clubs.

The Foundation Endowment portfolio totalling \$32,944,452 million remained essentially unchanged from the prior fiscal year, as noted in Note 4 of the Financial Statements, with no new additions for the year. These legacy donations, and the accumulated returns generated from their investment will continue to benefit our Clubs for many years to come. The accumulated excess of net revenue over distributions generated from this base is now at \$16,578,897 an increase over the prior year of \$1,401,971. Member contributions that have been both endowed and non-endowed provide the significant investment base for the future distributions to member clubs.

Expenses for the year before changes to the cash surrender value of life insurance policies were \$287,427 (compared to the prior year of \$ 263,397). The Board continues to be sensitive to cost escalations and the year closed with expenses being 0.53 % of our closing investment portfolio balance, a slight increase from the prior year of 0.49%. These expenses consisted of investment management fees of \$225,321, professional fees for accounting and audits of \$43,768 and office, insurance and administrative costs of \$18,338. During the year the Board completed a proposal call for audit services to ensure best value pricing was being received for these services from our current, and continuing, auditors Price Waterhouse Coopers.

For supporting the activities of member clubs, Foundation distributions continue to be based on a 5% capital balance distribution formula to provide clubs certainty in revenues for the following fiscal year. This distribution formula is based on an averaging of the opening and closing fund balances for each club for the five immediately preceding years. Distributions from the current fiscal year will be \$2,221,502, an increase from the prior year's distribution amount of \$2,076,559. After expenses and distributions payable for the year, member capital balances have now increased to \$51.4 million up from the prior year of \$50.2 million.

Yours in Rotary,

Donald M. Dart, Treasurer,
August 12, 2019