

Calgary Rotary Clubs Foundation

December 20th, 2006

1. What is the C.R.C.Foundation?
2. How the Foundation is managed?
3. What are the objectives?
4. What can it do for your Club and how can your Club become involved?

So lets clear up some misconceptions. There are three other foundations with which this may be confused.

You are no doubt all aware of the activities of **Rotary International**. As you know your Paul Harris Fellowship contributions go to the Rotary International Foundation, which holds contributions for 3 years and with the interest from funds held during this period pays its administration. Then after 3 years the funds are put to work going to such activities as Ambassadorial Scholarships, Group Study Exchange, Humanitarian Grants, Matching Grants and Peace Programs. This foundation is totally separate from CRCF, funded and administered separately.

There is no connection to the **Calgary Foundation**, which is outside of Rotary.

And finally just to confuse you further we are not the **Rotary District 5360 Charitable Foundation**, which for simplicity, I will describe as a conduit to funnel donations to an identified charity and provide a tax receipt in the process.

So what is a FOUNDATION? The English Dictionary says “underlying layer or support; f. stone, to mark the beginning of an erection of a building; garment or corset with attached brassiere. We don’t need to go there, but we know this could mean one heck of a lot of support. I prefer the word connection that Roget’s Thesaurus makes however, with the words “Stability, Soundness and Permanence”

The CRCF is unique in the rotary world as far as I am aware. The Foundation was established in 1972 by 4 Rotary clubs in Calgary, but for all the rotary clubs in Calgary. It is a CAPITAL FUND, cash

contributions are pooled in the fund and earnings are returned to the participating clubs. Earnings of the fund are distributed to each of the clubs proportionately based on each club's capital in the fund at the end of each financial year. These distributions go directly to each club for payment to each club's chosen community projects, except where a club has a non-charitable status, in which case the club must request the Treasurer of the CRCF to direct the funds to the selected recipient.

The CRCF is administered by a Board of Directors, made up of members of all the Rotary clubs of Calgary. The number of board members from each club reflects the amount of each club's funds in the Foundation. There is one honorary director, John Collins, who has been the glue for the foundation for many years.

Calgary South	3 members
Calgary West	2 members
Other clubs with over \$10,000 in funds	1 member each
Rotary Club (downtown)	a number equal to membership of all other clubs

Over 7 years ago the Foundation's capital was invested by the Board in bonds and other money market instruments, which generally were just rolled over on maturity, so the return was pretty much guaranteed to be the "going-in Yield To Maturity". In years past this was relatively advantageous when interest rates were in double digits, but as rates dropped the return on these investments fell drastically.

About 7 years ago the Board decided to investigate the option of placing the funds in the hands of a professional investment manager. Several managers were interviewed and in the fall of 1999, Mawer Investment Management was selected. Their first full year of management was completed on February 28th, 2001.

Mawer manages our funds under certain guidelines set out by the Board. The original restriction limited investment to no more than 20% in equities during the first two years and 30% in the third year and also limited it to Canadian equities only. This has now been amended to raise the maximum investment in equities to 60% with no restriction on foreign investment. The guidelines and the performance

will be reviewed on an ongoing basis, but there is no intent by the Board to micro-manage the fund, purely set the policy.

The distribution policy has also been amended to cap the amount of funds distributed to the clubs in exceptionally good years, with any excess earnings being reinvested back into the fund as a cushion for possible lean years. *The distribution will be a minimum of 5% of the capital base of the investment portfolio, [even if the overall earnings are less than 5%] plus 50% on any net earnings of the investment portfolio in excess of the basic 5% distribution to a maximum of a 10% total distribution [based on the average of the opening and adjusted closing market value of the investment portfolio].* The board believes this to be a wise policy given the volatility of the markets and it provides each club a greater ability to budget its community involvement.

EG 9% annual net return = 5% + 2% to distribution
2% returned to capital

The Foundation's invested assets, ignoring life insurance surrender values, as at February 28th, 2006 stood at \$3,833,218, with a return for the year of 9.15%. Overall earnings have varied from 4% to 14% per annum since the invested capital was placed with Mawer and we have seen a total return since inception of 72.95% and an annual return over the last 5 full financial years of approximately 8.54%.

The fund is growing through contributions and some reinvestment of undistributed earnings and the Clubs that are growing their capital in the Foundation will be guaranteed income in future years, taking some pressure off fund raising activities.

Calgary West's contributions provide a good example of how funds can grow. From 1974 to 1991 Calgary West accumulated approx. \$77,000 as its capital base in the foundation and over this same period of time Calgary West received a total accumulative interest income back from the foundation of \$78,000 and that was from bonds. Today Calgary West's capital base is just over \$245,000 and we hope to see over \$15,000 a year on average (and growing) as a return to fund community projects.

The Rotary Club of Calgary has the largest amount of capital in the Foundation (+/- \$29 million) followed by Calgary South at approximately \$1,000,000. There has been an incredibly large legacy

or endowment placed into the Foundation for the benefit of the Rotary Club of Calgary in the last few months.

What are our objectives. Well simply to increase the involvement of each club in the foundation from the standpoint of contributions and each club's representation and involvement on the Board. I regret that I have to say this, but involvement in the Foundation is spearheaded by too few Clubs, particularly the downtown club.

I believe it is vitally important for each club to have a guaranteed source of funds. An annual return from the CRCF is a foundation to a club's fund raising, funds that are more or less assured and can be relied upon, perhaps to fund that "special" project, each year.

I think the founders of the CRCF had considerable foresight in setting it up and we are fortunate to have this foundation in place.

When we look at "needy projects" to fund, I am sure each club looks at the needs not only in our local community but also in other parts of the world. I believe we should view our contributions to the FOUNDATIONS of rotary in the same vein, spreading our efforts between RI for international projects and the CRCF for our own community projects.

How can we increase the Capital?

We can keep the CRC Foundation in mind when we are looking at a home for donations. These donations can be by way of cash contributions, bequests, memorial tributes, life insurance proceeds, deposit of marketable securities (which might have significant tax benefits) or other creative ways our accountants might describe to us, such as through Charitable Annuity Contracts.

It is unfortunate that one of the biggest sources of funds to the foundation is derived from bereavements in one way or another. The passing of a loved one often involves the passing of assets. A donation to the CRCF at this time can create a legacy. A name can be attached to this legacy and a donation to the CRCF is one that will last forever and it will keep on giving.

As an example when Glen Jones from Calgary West passed away several years ago, the Club decided to buy a park bench in his memory, but rather than buy the bench directly with funds we raised, we decided to invest these funds in the CRCF and in lieu use the earnings from the Foundation to purchase the bench. This way Glen's

name lives on not only on the bench but also in the Foundation and those funds stay in the capital base of the Foundation for future growth and distribution.

Capital funds to provide an annual amount for a scholarship or bursary are also a good way to remember someone, while providing for a specific educational need.

I noted earlier the considerable legacy left for the benefit of the downtown club. That did not happen overnight, it began as small annual contributions ending up as one VERY LARGE contribution. I may not contribute much during my lifetime to the Foundation but I know I will leave much more through my will.

The CRCF has also created an Award program, which allows you to recognize an individual's contribution to the community or to Rotary. The recognition level is reasonably set at \$500.00 CDN.

Why the CRCF?

1. It creates a **focus** for us locally.
2. It is a **guaranteed** source of funds to each club.
3. The earnings distributed from the CRCF to the respective clubs are totally under the **control** of each club.
4. You can **recognize** club members, or others that you choose, in a very meaningful manner (Award Program).

There has been over close to \$4.0 million placed into the community from the CRCF. These have been funds placed into the community through just a few clubs, but hopefully as other clubs increase their involvement and increase their capital, more community projects can be funded.

So in closing, I would like to challenge the club to set a target for increasing its involvement in the Foundation, just as you are asked to do for RI, and keep the CRCF in the forefront when considering how to achieve our goals. Do not forget these funds will go right into the community where we live. Did I mention you receive a tax receipt for your donation?

It was not until 1917 that the Rotary International Foundation was set up, and by 1929 there was only \$5,000 in the RI Foundation. I believe it was not until after the second world war that the RIF started to grow, probably after Paul Harris died in 1947.

If you have any questions I would be pleased to try to find an answer for you.

David Watson

Chair CRCF

Calgary West Rotary Club