

QUESTIONS FROM THE MEMBERS
MAY 1, 2008 FINANCIAL PRESENTATION MEETING
SAN DIEGO ROTARY CLUB 33

Geri Ann Warnke, President
Bruce A. Hunt, Executive Director

Presentation Team:
Suzy Spafford, Secy/Treasurer
Bruce Blakley, Chair, Audit & Finance
Stan Hartman, President-Elect on Membership
Guy Maddox, Chair, Grotarian
Peter Bowie, Chair, Project Allocation
Peter Duncan, Camp Enterprise
Frank Arrington, Chair, Fund Raising
Kevin Ward, Philanthropy

Q1: What benefits does our Club provide to our Club's staff?

Club 33 provides vacation and sick day benefits, medical and dental benefits, and a recently adopted 401(k) retirement plan for its staff.

Q2: Is it legal to have the same person chair the Finance Committee and the Audit Committee?

Publicly traded companies have different laws for the Finance and Audit functions than the non-profit sector has. We will continue to use an outside CPA firm to conduct our 07-08 Review and we will examine the link between the Audit-Review Committee and the Finance Committee.

Q3: Can you be on the Project Allocation Committee and be on a committee that is asking for funding from PA?

Yes, you can be on PA and also on a committee that is requesting a grant from PA. In that situation, when the discussion about the merits of the specific grant request is completed, the members of the requesting committee leave the room to allow the remaining PA members to vote without the constraint of their constituents. We believe that avoiding even the appearance of a conflict of interest is important.

Q4: Is the "reserve" mentioned the difference between the "Fund Balances" (\$3,433) and the "Endowment Fund Balances" (\$2,817), i.e. \$616K? How is this amount managed and invested?

Yes, the difference is the reserve and these funds are held in a checking account and two money market funds at SDNB and a non-endowment fund at SDF. It is better to look at the March 31 numbers – we showed cash, investments of \$545K at that date – of this \$307K is in a non-endowment fund at the San Diego Foundation to be used for charitable purposes. The remaining funds of \$238K constitute our operating funds and reserves. We have two money market funds,

a CD and a checking account at SDNB. Staff and the Treasurer look at cash needs for next several months in determining how much to put into the CD's.

Q5: What are the costs or fees for keeping Endowment Funds at SDF?

Approximately 0.5% of the assets on an annual basis.

Q6: How does the club avoid losses on investments such as the funds that contained sub-prime mortgages?

The non-endowment fund at SDF is invested in short-term fixed income instruments with a grant time horizon less than 2 years. This pool of investments provides us with the liquidity and safety that we require while offering us the potential of a higher return than we might receive from a money market fund.

The endowment funds at SDF are invested on a longer grant time horizon utilizing a diversified investment portfolio to produce growth, income and capital preservation. Market value fluctuation is an accepted fact when investing for the long term. All funds at the Foundation are managed by an investment committee and professional money managers. We do not know the specific holdings of the investments in our endowment accounts.

Q7: Are endowment fund distributions the only funds that go into Project Allocation? If not, how much is funded annually to Projects? Where is this reflected on the information provided today?

The endowment fund distributions make up the bulk of the PA funds. In addition to the endowment distributions, an additional amount is needed each year to fully fund PA grants and that amount depends upon the PA budget approved by the Board. Those dollars are contained in the Program Services line of the Income Statements.

In the '07-'08 FY budget, \$92K came to PA from the endowment funds at SDF and the remaining \$62K came from Club 33 fund raising efforts. \$31K came to Camp Enterprise from the endowment funds at SDF. Our members can support specific projects in PA or CE when they make a donation to Club 33 by designating a recipient of their gift.

Q8: What is the procedure for handling members who are in arrears in paying dues and lunch fees?

Past due accounts are reviewed each month by the Board. The office communicates with the members and collects the late payments. If the office is unsuccessful in its collection efforts, the Executive Director advises the Board and it takes action.

Q9: How is petty cash handled? The office petty cash is balanced monthly with receipts and replenished by check with the receipts for back up. Checks must be dually signed by the ED and an authorized signer on the Board.

The cash at the weekly luncheon meetings is counted by staff and verified by a volunteer. All cash and checks from the lunches and the payment of dues are deposited to the bank weekly via a courier pick up every Monday.

How are the credit cards controlled?

Credit card numbers are stored in a password protected environment on the computer of our Membership Services staff member. Credit card receipts are stored in the fireproof safe in our office break room. We shred receipts after an appropriate amount of time to allow for tax returns and credit card billing payment disputes.

What is the average total rate of return in our invested funds for the reporting period?

The money market funds and the CD (currently a 5-month maturity) earn at the market rate generated by short term interest rates. The non-endowment fund account at the SD Foundation is invested in a pool that provides liquidity with minimum risk to market value. The latest reported annual return was 5.5%. The endowment fund accounts at the SD Foundation are invested in a balanced pool of domestic and international equities, fixed income, alternative investments and real estate. The latest reported annual return was 7.7%.

Q10: With the goal of the Endowment Funds to disburse 5% per annum, why are the Endowment Fund balances declining based upon the market values? Are the funds not invested in some instrument that can provide 5% distributions and maintain its original value?

The Endowment Funds are invested in a variety of equity, fixed income, and alternative investments that have over a long period earned much more than 5% per annum.

As an example the Tom Sefton Fund began with \$1million (and \$1) – after years of 5% distributions, the remaining balance is \$1.4 million. While there was a market value decline during the first calendar quarter, in the long run it is expected that returns will continue to exceed 5%. For further details about the investment performance of the San Diego Foundation, visit their website at www.tsdf.org .

Q11: I noticed in our financial statements that all our cash & CD's are in one financial institution and therefore partially uninsured. Does this make sense in today's banking environment?

It makes sense to be aware of the health of the financial institutions that hold our investments. We will review this situation when the CD matures before we roll it over.