CAPITAL DISTRICT KIWANIS INTERNATIONAL

Quarterly Committee Report & Committee Evaluation

Committee: **Finance** **Date:** August 6, 2021

Chairperson: Bob Wright

To be completed by the Committee Chairperson and submitted to the District Secretary and supervising District Trustee no later than 21 days before each quarterly District Board Meeting.

1. COMMITTEE MEMBERSHIP

Committee fully staffed: Yes ☑ No ☐ [Note: Regions without representation below.]

All members informed that they now have the right to vote following the Board's August 21, 2020 meeting that changed policy.

2. KIWANIS YEAR GOALS (list all committee's annual goals)

GOAL	% Complete
1. Prepare with the District Secretary-Treasurer, review, amend as necessary, and submit to the Board the recommended annual budget. *The committee met on August 31, 2020 (6 of 10 members present and met quorum of 5) to review all CapDist K Family budgets for 2020-2021 and unanimously recommend the approval of all as submitted.*	100%
2. Review the proposed budgets for all Kiwanis family district conventions and conferences (CDKI DCON, Midyear; CDCKI DCON; CDKCI DCON) and submit recommendations to the Board. *Same as #1 above.*	100%
3. Review the proposed annual budget for Service Leadership Programs (i.e., CDCKI, CDKCI) and their Administrators and submit recommendations to the Board. *Same as #1 above.*	100%
4. Review recommendations with financial implications from any committee, especially Long-Range Planning, and provide recommendations to the Board. Review recommendations with financial implications for Board actions and provide recommendations to the Board. *The committee was* not *asked to address financial aspects of the proposed bylaws amendment regarding prorated first year district dues.*	100%
5. Monitor and review investment activities and report to the Board quarterly. *Prepared a summary of investments as of July 30, 2021.*	100%

3. **CHALLENGES OR ASSISTANCE NEEDED** (use continuation sheet if necessary):

Board approval for recommendation for new financial advisor--see Board item.

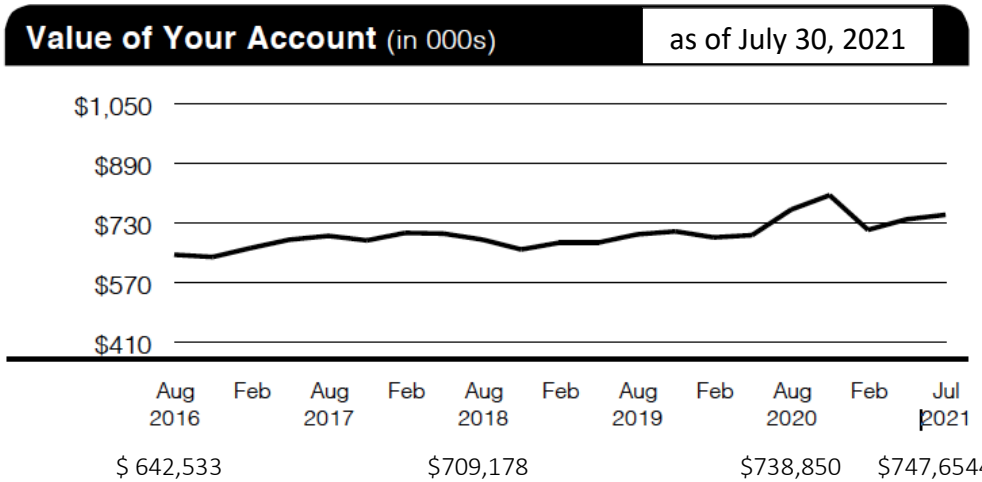
4. **COMMENTS** (use continuation sheet if necessary):

The subcommittee of 3 members--Dave Heppner, Tim Gillette, and Bob Wright--initiated a rebid of the district's investment account management from a commission-based broker account to a fixed-percent of assets-based fiduciary manager account. The subcommittee, through the Treasurer, put out a Request for Proposals (RFP) on June 28 to 8 potential bidders identified by the subcommittee and other Capital Kiwanians. In July the subcommittee reviewed the 6 proposals submitted and asked follow-up questions consistent with the RFP based on information missing in initial submissions. The subcommittee prepared a recommendation to the full committee on August 2, and the full commmittee finalized the recommendation on August 4.

On a separate note, based on my prior research of district finances going back 6 years, I personally question some of the assumptions underlying the proposed bylaws amendment regarding prorated first year dues for new Kiwanians.

SIGNED: __ *Robert C Wright* _____

CDKI Edward Jones Account Overview



$751,944.27
(excludes $143,259.60
in reserve account)

Assets

		Share
Cash, *Insured* Deposits, Money Market Funds[1]	$ 0.52	0.0 %
Exchanges, Closed End Funds	$ 7,307.23	1.0 %
Mutual Funds	$ 744,636.52	99.0%
> Equities	*$399,662.14*	*53.7%*
> Fixed Income (CDs, bonds)	*$344,974.38*	*46.3%*
	$ 751,944.27	100.0 %

Income

	Interest	Dividends[2]	Capital Gains
2021[3]	$ 0.94	$ 3,945.73	$ 3,524.14
2020	$ 49.44	$ 9,158.23[1]	$ 9,859.94
2019	$ 894.62	$ 11,215.46	$ 15,723.78
2018	$ 2,026.24	$ 10,200.77	$ 22,226.87
2017	$ 889.88	$ 9,455.75	$ 16,276.52

[1] Insured portion not broken down on statement
[2] Includes year-end dividends reinvested in subsequent year
[3] Year-to-date

Investments	Per Policy	Reality
Insured Fixed Income Reserve	$ 150,000	< $143,259.60 **close**
Equivalent of adjusted annual operating expenses (estimated)		
Income	$ 367,141	$ 344,974.90 **close**
Equities	$ 367,141	$ 406,969.37 **close**
Up to 50% of remaining investments		$ 751,944.27
Maximum in any industry group/sector	10%	**up to 20%**
Average bond maturity	5 years	**7 years**
Maximum bond maturity	10 years	**12 years**

Analysis: Account growth trends follow the market. Equities and income now well aligned with policy. **The investment account still generates tax-free dividend income—unnecessary for a nonprofit that could put the money into something earning a higher yield.**

Recent policy changes give the district greater flexibility with the account. **The proposed change in investment manager to a fee-based fiduciary and reduction in the amount held in reserve should generate a greater return on investment.**

Capital District, Kiwanis International
Board of Trustees Meeting
August 20, 2021 - Agenda Point
Financial Advisor

Background

The May 16, 2021 Board meeting consent agenda noted the Finance Committee would conduct a recompete of the district's investment management contract. With a healthy account it is time to increase the acount's return by moving from a broker to a fee-based fiduciary account.

A finance subcommittee issued a request for proposals consistent with district bylaws and policy on June 28, reviewed 6 proposals received by July 14, followed up with questions to clarify information submitted where necessary, and made its recommendation to the full committee on August 5.

BOARD REQUIRED ACTION

Authorize the Secretary-Treasurer to (1) negotiate a fee-based fiduciary account with the Greenspan Group of Morgan Stanley and (2) invest the district's operating reserve in a fixed-income financial instrument.

Operational Impact

This change will necessitate quarterly, or more frequent, communication between the district Secretary-Treasurer and Finance Committee on the one hand and the district's financial advisor on the other to ensure the fiduciary keeps district investments aligned with district policy and attuned to market conditions.

Financial Impact

This change should increase the return on the district's investments over time.

Respectfully submitted,

Robert C. Wright

Robert C. Wright
Chair, Finance Committee
Capital District Kiwanis