

Audit and Financial Review Committee Report

In the latter portion of 2024, the Board of Directors established an audit and financial review committee that would work apart from the Treasurer but with the bookkeeper to provide independent review of the books of account of the Royal Heraldry Society of Canada. The Treasurer appointed three people to the committee, two of whom demurred to become engaged. It was felt that the establishment of this committee would provide a reasonable and objective review thus obviating the need to engage a third-party auditor. To put this into perspective, total membership dues received by the Society are around \$24,000. The cost of the auditor for 2023 was \$8,320 plus HST. Eliminating the engagement of a third-party auditor would be a significant cash saving for the Society. These funds could then be deployed to further the mission of the Society.

2024 was the first year that this bookkeeper prepared the books for the Society. A detailed review of the general ledger report for 2024 was made by the committee. Further, a comparison of the ledger to the prior year was also conducted. Discussion was held with both the bookkeeper and the prior treasurer as to the methodology of record-keeping. A recommendation has been made to the Treasurer that the books and records be simplified for 2025.

Comments on the review:

1. Transactions are being properly recorded and can be easily traced through the bank statements and the monthly investment account reporting package.
2. Care has been taken to ensure that the advances to the branches are fair and accurate based on the proportion of members in each branch. There is, however, one aberration in fairness which relates to the Ottawa Valley branch and refers to costs in connection with a Gala dinner. The committee suggests that this matter be reviewed with the Ottawa Valley branch.
3. The accounts for the various general funds are accurate having been reported in a manner similar to that used in 2023. The amounts have also been confirmed with those directors knowledgeable.
4. A detailed review of the investment portfolio was held with Andre Kent and the committee is satisfied that appropriate care is being taken by the investment advisor. This account was also reviewed with the past treasurer.
5. The Visa card account was opened on July 8, 2024, and is secured with the term deposit in the amount of \$10,000.

6. The Society editor, Jon Neil, had been given an advance of \$1000 in 2021. There has been no report on what has been done with the advance.

The Society's investment portfolio was reviewed with Andre Kent effective April 8, 2025. This was incumbent in light of the recent market volatility. The investment advisor felt that despite a more challenging macro environment, the portfolio remains well-positioned. The asset allocation is balanced, with exposure across equities, preferred shares, fixed income, and balanced mutual funds. This diversified approach is intentional and helps reduce overall portfolio volatility. Further, the portfolio emphasizes high-quality holdings, many of which are dividend paying, globally diversified and well capitalized. These are the types of positions when should own during uncertain market cycles. Historically they are also the first to recover when stability returns. As of April 8, 2025, the consolidated value of all accounts in Canadian dollars was \$509,682.99. Since January there has been an 11.56% drop in the market value of the portfolio. The market value of the start of the year was \$518,726.27. The drop was \$9043.28. It is worth noting that the drop appears to be a sentiment driven correction, not one rooted in deteriorating fundamentals. In fact, corporate earnings remain strong, and interest rate trends – both in Canada and in the US – are turning more supportive for markets. It should be noted that the Bank of Canada left its benchmark interest rate at 2.75% on April 16, 2025.

The investment advisor intends to continue to look for tactical opportunities to upgrade the quality of the holdings. The objective will continue to be long-term stability and prudent growth aligned with the Society's objectives and risk tolerance.

Thank you.

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April 16, 2025