

**Rotary International
Financial Update from the General Secretary
November 2009**

30 November 2009

Dear Rotarians,

I am happy to report continuing improvement in the financial picture for Rotary International and The Rotary Foundation since my last communication on 8 September. Positive market performance this fiscal year through September resulted in investment earnings of US\$11 million for Rotary International and \$58 million for The Rotary Foundation. We are continuing to see further improvement this quarter, though the markets remain volatile.

Many Rotarians have expressed concern over the magnitude of last year's investment losses. Last year was truly extraordinary in that global financial markets suffered their greatest losses since the Great Depression. Nearly all asset classes (stocks, bonds, real estate, etc.), including those in which the Foundation's assets are invested, experienced losses. The Foundation's investment losses were very similar to those experienced by other major endowments and foundations.

RI's reserve fund remains above mandated levels. The Foundation reserve has increased by approximately \$34 million since 30 June 2009, though it stands at a negative \$8 million, well below the target reserve level. Rotary's cash flows remain positive, and we have not had to liquidate securities to operate or fund program spending this fiscal year.

Contributions to the Foundation's Annual Programs Fund dipped in the first quarter of this year, a situation that can be attributed in part to Rotary's US\$200 Million Challenge, which has already passed the halfway mark. The Trustees realize that conducting multiple major fundraising initiatives simultaneously can generate donor fatigue. Yet all are extremely important efforts that cannot be delayed. Rotary must fulfill its promise of a polio-free world, but at the same time, we need to continue, and expand when possible, our worldwide educational and humanitarian efforts that are supported by the Annual Programs Fund. Fortunately, many Rotarians realize the great needs that both of these initiatives are meeting and remain generous donors to our Foundation.

Investment returns, reserve funds, and contributions are only part of our financial picture. Controlling costs remains a top priority for Rotary senior leaders and the Secretariat staff. Currently, operating expenses and staffing levels remain under our tight 2009-10 budgets for both RI and the Foundation. Expenses related to travel have been cut substantially. Many committees are meeting via teleconference and webinars, and staff travel has been reduced considerably. Your Secretariat staff and Rotary senior leaders continue to monitor spending and explore ways to further cut costs without significantly reducing service.

Based on the improvements in Rotary's finances as summarized above, at this time the Board of Directors and Trustees have decided to

- Maintain the Foundation's three-year investment cycle and the current District Designated Fund/World Fund 50-50 *SHARE* ratio

- Preserve District Designated Fund balances at full value and provide more flexibility for districts to use these funds

- Temporarily modify Rotary's existing investment policies to provide more flexibility in managing our investments during this market recovery

- Request the Investment Advisory Committee to accelerate its review of the investment and spending policies for both the Annual Programs Fund and Permanent Fund to address liquidity needs and risk tolerance

- Continue to reduce operating expenses throughout the organization

Finally, I invite you to view the 2008-09 audited [financial statements](#) for both RI and The Rotary Foundation, which have been successfully completed with unqualified opinions from our independent auditors and approved by both boards. In December and January, every club will receive a copy of the joint RI/Rotary Foundation annual report, which will also be posted on www.rotary.org. In addition to financial highlights, this publication features compelling stories and photographs that vividly illustrate the remarkable range and value of Rotarian service worldwide.

Sincerely,

Ed Futa

General Secretary