



THE ROTARY FOUNDATION

ENDOWMENT FUND FINANCIAL REPORT 2017-18

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All figures in this report are in U.S. dollars.

THE ROTARY FOUNDATION

The mission of The Rotary Foundation is to enable Rotarians to advance world understanding, goodwill, and peace through the improvement of health, the support of education, and the alleviation of poverty. More than 100 years ago, Rotarians took bold action to empower generations to come – they established The Rotary Foundation to secure a better future.

Today still, The Rotary Foundation transforms gifts into projects that change lives close to home and around the world. As the charitable arm of Rotary, the Foundation benefits from a global network of Rotarians who invest their time and expertise ensuring that projects are high-impact and sustainable and meet the most pressing needs of the communities they serve. Strong financial oversight, a stellar charity rating, and a unique funding model mean that Rotary makes the very most of your contributions.

ENDOWMENT AT A GLANCE

The Rotary Foundation created the Endowment in 1982 to give future generations of Rotarians the additional resources they need to design and implement sustainable projects year after year. While a gift to the Annual Fund helps people live better lives today, gifts to Rotary’s Endowment support the same life-changing programs forever.

Contributions to Rotary’s Endowment are invested and professionally managed to provide a stream of income to support Rotarians’ local and global philanthropic work in perpetuity. This year, earnings provided \$15.6 million in support for the work of the Foundation. Those earnings provided Rotary Peace Fellowships, contributed to global grant projects around the world, and enabled districts to address the needs of their own communities through district grants. As the Endowment grows, so does the good that Rotarians can do in the world.

NAMED ENDOWED FUNDS

With a gift of \$25,000 or more to the Endowment, Rotarians or friends of Rotary may create a permanent legacy in their own name or in honor of a friend or family member. Rotary pools these gifts for investment purposes, but maintains a separate accounting for each named endowed fund. Donors receive a personalized endowed fund certificate suitable for framing when their fund is established, along with annual financial updates.

As of 30 June 2018, there were 1,652 named endowed funds within the Endowment, representing 47 countries and geographical regions around the world. The face value of named endowed funds totaled \$237 million. In 2017-18, 184 new named endowed funds were established, with contributions totaling \$12.4 million.

Visit rotary.org/legacy for information on endowed naming opportunities.

NEW NAMED ENDOWED FUNDS ESTABLISHED IN 2017-18, BY COUNTRY OR GEOGRAPHICAL AREA

Country	New Funds, 2017-18
United States	49
India	42
Japan	25
Taiwan	24
Korea	15
Canada	13
Nigeria	3
South Africa	2
Uganda	2
Australia	1
Bangladesh	1
Brazil	1
England	1
Hong Kong	1
Kenya	1
New Zealand	1
United Arab Emirates	1
Multiple	1

NEW NAMED ENDOWED FUNDS ESTABLISHED IN 2017-18, BY SPENDING DESIGNATION

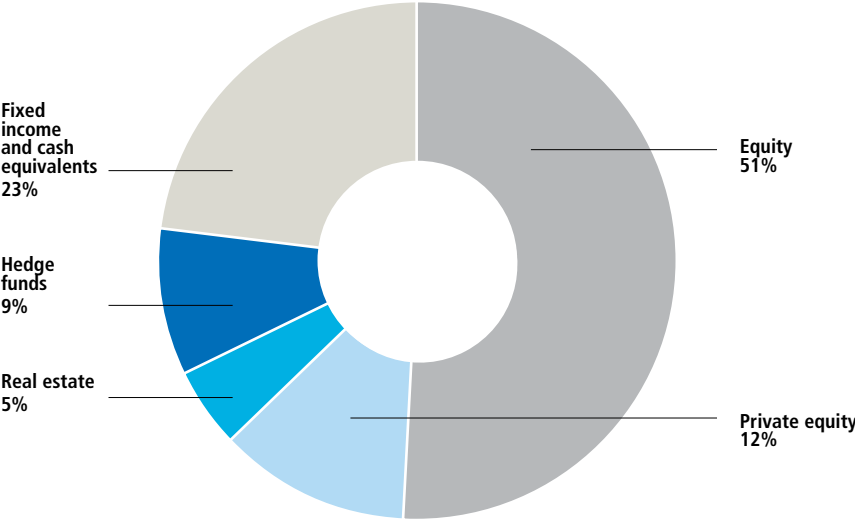
Designation	New Funds
SHARE	99
Areas of Focus	44
Rotary Peace Centers	20
World Fund	17
Global Grants	2
Polio	2

ENDOWMENT INVESTMENTS

INVESTMENT OBJECTIVE

The Rotary Foundation invests Endowment assets to ensure funding for today’s programs while sufficiently growing the portfolio to support Foundation programs in the future. The primary investment goal is to grow the fund at a rate greater than inflation to maintain the fund’s purchasing power. Specifically, Rotary seeks to generate an average annual investment return at least equal to inflation plus Endowment spending, without assuming undue risk. The following asset allocation strategy has been implemented to achieve these goals.

ACTUAL PORTFOLIO ASSET ALLOCATION



INVESTMENT MANAGEMENT

The **Trustees** of The Rotary Foundation are responsible for setting overall investment policy, including the investment objectives and asset allocation strategy.

The **Investment Committee** is responsible for recommending to the Trustees changes to the Investment Policy Statement, overseeing the implementation of the investment policy, and reviewing and monitoring investment results.

The **Office of Investment** is led by the chief investment officer and is responsible for the daily operation of the Endowment, the implementation of and compliance with the statement of investment policy and guidelines, decisions on how to allocate assets to the various investment strategies and investment managers, and the tracking and monitoring of investment performance.

External professional **investment managers** are appointed to invest the assets of the fund on behalf of The Rotary Foundation.

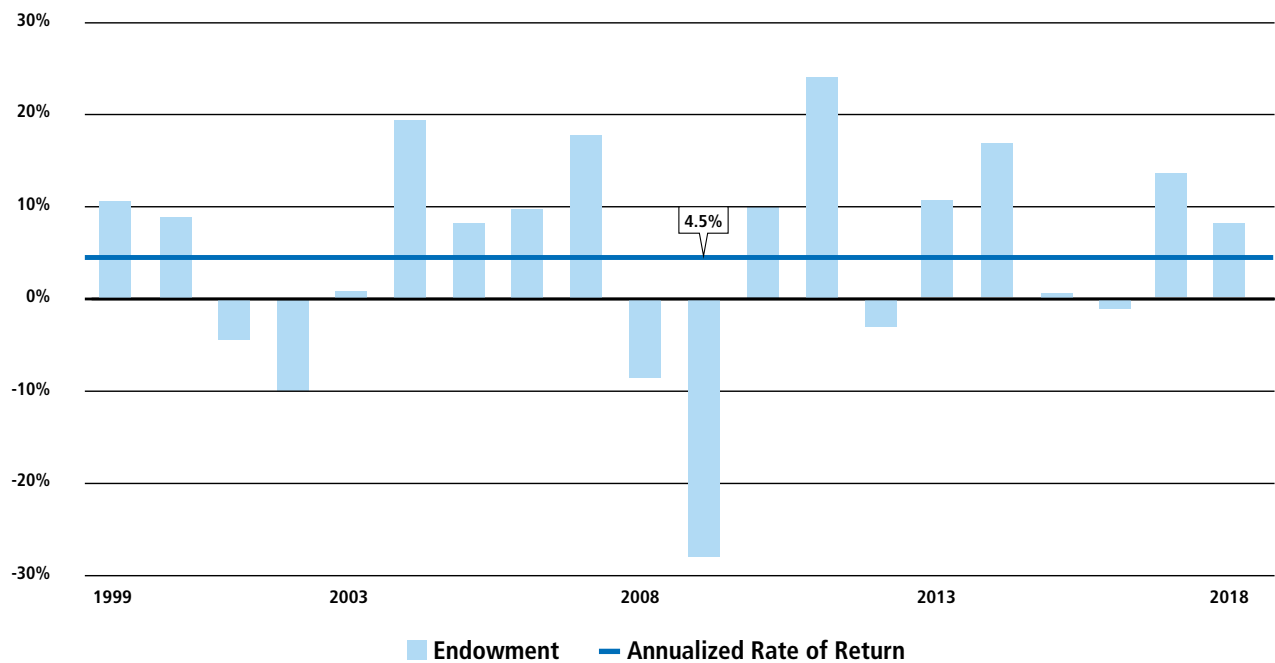
INVESTMENT PERFORMANCE

The Endowment's investment return for Rotary year 2017-18 was 8.0 percent.

The investment returns net of fees for each fiscal year since 1999 are shown below.

The average annual rate of return during this period was 4.5 percent.

RETURN ON INVESTMENTS



ENDOWMENT SPENDING

SPENDING POLICY

The Rotary Foundation Trustees set spending rates for the Endowment each year. Spending from each named endowed fund is determined by comparing its market value as of 31 December with the principal amount contributed (the gift value).

This allows as many named endowed funds to support Rotary programs as is possible. Any named fund that has a market value that is at least 90 percent of the total contributions to the fund will provide spendable earnings for the fund’s designated programs. If a fund’s market value is less than 90 percent of the total gift value, distributions will be deferred in order to build the fund for the future. This policy allows the Foundation to maximize support for programs today while letting the Endowment grow so it can also support programs in the future.

SPENDING TIERS AND RATES USED IN 2017-18

Tier	Market Value of Fund on 31 December 2016	Spending Rate (%)
1	More than 10% higher than the gift value	5.0%*
2	At least equal to, but not more than 10% higher than, gift value	4.0%†
3	As much as 10% less than the gift value	2.0%‡
4	More than 10% less than the gift value	0

* 4.1% for program awards, 0.4% for program operations, 0.3% for fund development, and 0.2% for general administration expenses

† 3.2% for program awards, 0.3% for program operations, 0.3% for fund development, and 0.2% for general administration expenses

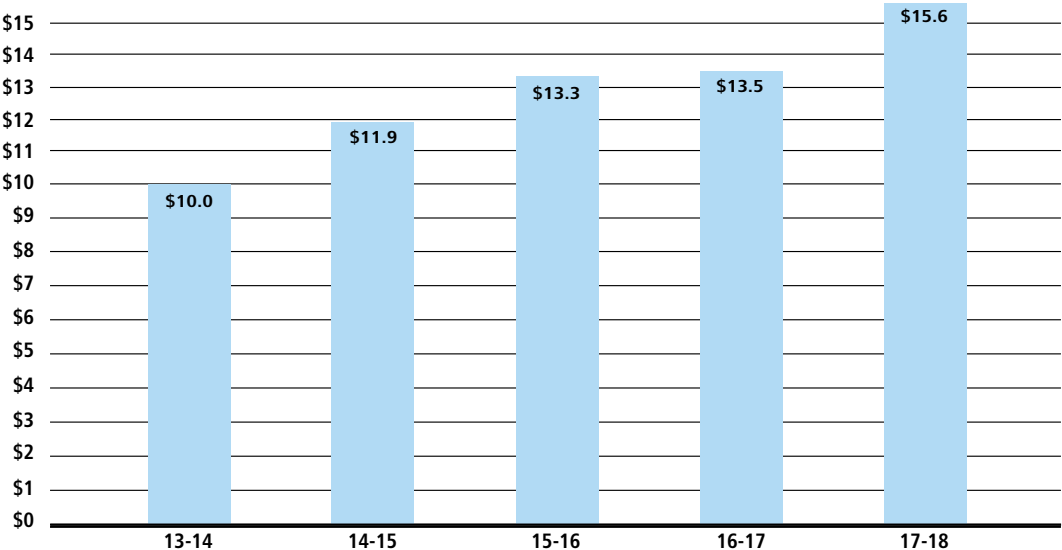
‡ 1.8% for program awards, 0.2% for program operations

SPENDABLE EARNINGS

The Endowment makes an annual distribution for programs and operating expenses equal to the amount of spendable earnings approved by the Trustees. For Rotary year 2017-18, spendable earnings totaled \$15.6 million, of which \$13.9 million was used for programs (\$12.7 million for awards and \$1.2 million for program operations), \$1.0 million was used for fund development, and \$0.7 million for general administration expenses.

Spendable earnings are transferred to a spendable earnings account, and if they are not used in the year they are made available, they remain in the account to be used in a subsequent year. This protects spendable earnings from market fluctuation before they are utilized for the intended program.

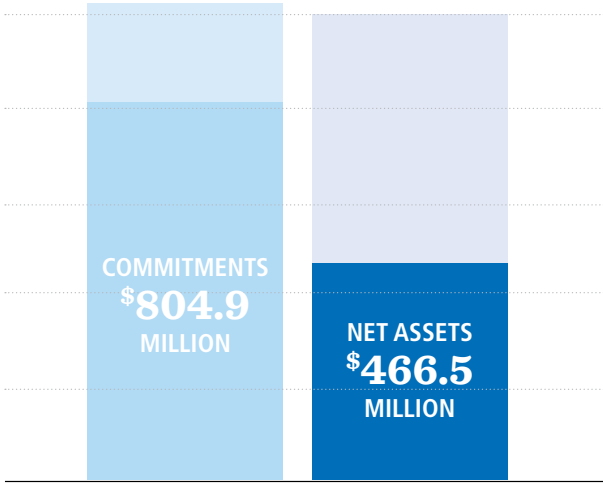
ENDOWMENT EARNINGS AVAILABLE FOR SPENDING (IN MILLIONS OF US\$)



BUILDING THE ROTARY FOUNDATION ENDOWMENT: 2025 BY 2025

Rotarians are working toward the goal of reaching \$1.0 billion in net assets* and \$1.025 billion in commitments† for future gifts, totaling \$2.025 billion for the Endowment by 2025. As of 30 June 2018, net assets came to \$466.5 million and commitments totaled \$804.9 million, for a combined total of nearly \$1.3 billion.

GOAL \$1.025 BILLION + \$1 BILLION = \$2.025 BILLION



Combined total = \$1.271 billion

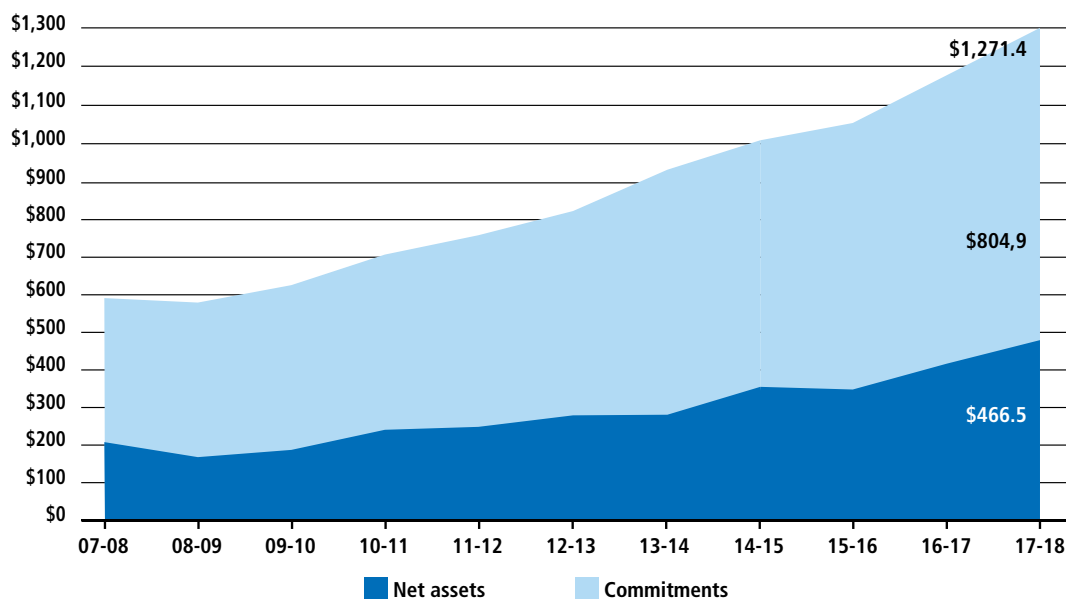
Commitments and net assets as of 30 June 2018

* Net assets include life income agreements, which are irrevocable contributions that provide a beneficiary with payments for life or for a set number of years. The donor receives a U.S. charitable tax receipt for a portion of the face value of the gift.

† A commitment is typically a provision in a person's will or other estate plan that names The Rotary Foundation Endowment as a beneficiary. Commitments are not current assets of the Foundation and are not included in audited financial statements.

ENDOWMENT GROWTH

ENDOWMENT MARKET VALUE AND COMMITMENTS*



FIVE-YEAR OVERVIEW OF ENDOWMENT GROWTH*

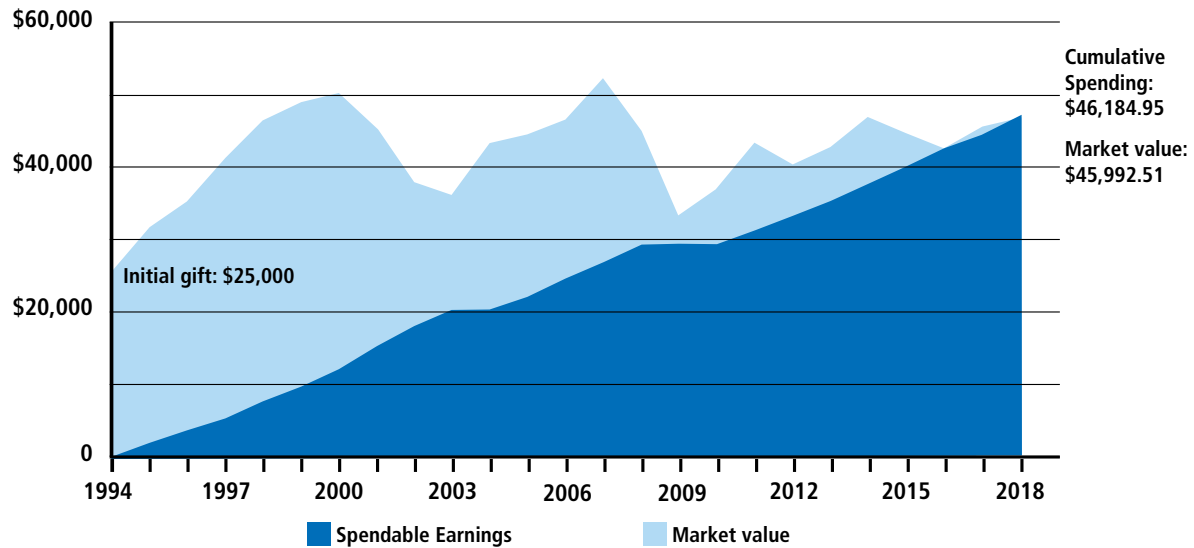
	2013-14	2014-15	2015-16	2016-17	2017-18
Beginning Net Assets					
Endowment Net Assets	263.8	330.4	338.2	337.6	395.4
Life Income Agreement Net Assets	13.2	14.5	15.1	14.6	13.4
Open Pledge Balances Net	4.9	5.3	5.9	5.5	6.8
Owned Insurance	2.5	2.6	2.4	2.4	2.4
Total	284.4	352.8	361.5	360.1	418.0
Change in Net Assets					
Contributions and Pledges	23.7	20.0	16.7	28.4	28.5
Investment Income	46.2	0.5	(4.4)	43.2	35.0
Total Spending	(10.0)	(12.0)	(13.3)	(13.5)	(15.6)
Other	8.5	0.2	(0.4)	(0.2)	0.6
Total	68.4	8.7	(1.4)	57.9	48.5
Ending Net Assets					
Endowment Net Assets	330.4	338.2	337.6	395.4	439.0
Life Income Agreement Net Assets	14.5	15.1	14.6	13.4	15.1
Open Pledge Balances Net	5.3	5.9	5.5	6.8	10.0
Owned Insurance	2.6	2.4	2.4	2.4	2.4
Total	352.8	361.5	360.1	418.0	466.5
Commitments	569.5	661.6	690.6	754.9	804.9
Total	\$922.2	\$1,023.1	\$1,050.7	\$1,172.9	\$1,271.4

*In millions of US\$

NAMED ENDOWED FUND EXAMPLE

A named endowed fund of \$25,000 established in 1994 has provided spendable earnings since then of more than \$46,000. In addition, the fair market value of the fund has grown to more than \$45,000.

See how an Endowment contribution grows over time and continues to give.



The illustration depicts past performance and cannot be relied upon as an indicator of future performance.

Visit rotary.org/legacy to learn more about building a Rotary legacy that will save lives and enrich communities during this century and beyond.

HOW DO I GET MORE INFORMATION?

For more information, visit Rotary.org. If you are interested in learning more about the benefits of giving, life income gifts, or named endowed fund opportunities, please contact your district fundraising chair, endowment/major gifts adviser, or regional Rotary Foundation coordinator.

Send questions to the gift officer for your area:

Brazil	fr.brasil@rotary.org
Europe/Africa	eao@rotary.org
Japan	rijapan@rotary.org
Korea	rikorea@rotary.org
North America	philanthropy@rotary.org
South Asia	risao@rotary.org
South Pacific and Philippines	risppo@rotary.org

ROTARY'S ENDOWMENT PRIORITIES

- Basic education and literacy
- Disease prevention and treatment
- Economic and community development
- Maternal and child health
- Peace and conflict prevention/resolution
- Rotary Peace Centers
- SHARE
- Water and sanitation
- World Fund

INVESTMENT GOVERNANCE

THE ROTARY FOUNDATION 2017-18 BOARD OF TRUSTEES

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CHAIR-ELECT

Ron D. Burton, USA

VICE CHAIR

Barry Rassin, Bahamas, 2017

Kenneth M. Schuppert Jr., USA, 2017-18

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Mario C. de Camargo, Brazil

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Sushil Gupta, India

Gary C.K. Huang, Taiwan

Seiji Kita, Japan

K.R. Ravindran, Sri Lanka

Michael F. Webb, England

Young Suk Yoon, Korea

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John Hewko, Ukraine

THE ROTARY FOUNDATION 2017-18 INVESTMENT COMMITTEE

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VICE CHAIR

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Ravi B. Bhooplapur, USA

Debra L. DeMuth, USA

Gregg Giboney, USA

Sushil Gupta, India

Douglas W. Phillips, USA

John A. Stairs, Canada

ON THE COVER

The son of a Rotarian helps Rotarians and Rotaractors plant mangrove trees at Bonefish Pond National Park in Nassau as part of a project organized by the Rotary Club of East Nassau, New Providence, Bahamas, and the Bahamas National Trust. 16 December 2017. Restoring the mangrove ecosystem will help protect the coast against hurricanes.

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