



THE ROTARY FOUNDATION

ENDOWMENT FUND FINANCIAL REPORT 2016-17



Rotary.org

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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 an 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, planned 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, endowment earnings provided \$13.5 million in support for the work of the Foundation. Those earnings provided Peace Fellowships and scholarships, 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 are doing 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 2017, there were 1,473 named endowed funds within the Endowment representing 47 countries and geographical regions around the world. The face value of named endowed funds totaled \$214.5 million. In 2016-17, 168 new named endowed funds were established with contributions totaling \$12.1 million.

Visit Rotary.org for information on naming opportunities.

NEW ENDOWED FUNDS ESTABLISHED IN 2016-17 BY COUNTRY/GEOGRAPHICAL AREA

Country	New Endowments
United States	49
India	43
Taiwan	21
Canada	20
Japan	13
Korea	6
Australia	2
Nigeria	2
Argentina	1
Brazil	1
Cambodia	1
England	1
Iceland	1
Mexico	1
Nepal	1
New Zealand	1
Norway	1
Panama	1
Singapore	1
South Africa	1

NEW ENDOWED FUNDS ESTABLISHED IN 2016-17 BY SPENDING DESIGNATION

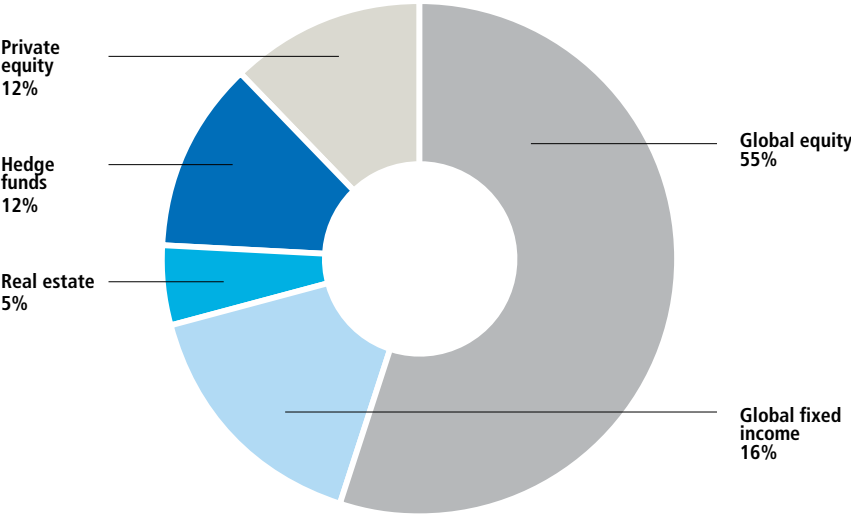
Designation	New Endowments
SHARE	110
Global Grants	27
Rotary Peace Centers	19
World Fund	11
Polio	1

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 reviewing and monitoring investment results and recommending to the Trustees changes to the Investment Policy Statement.

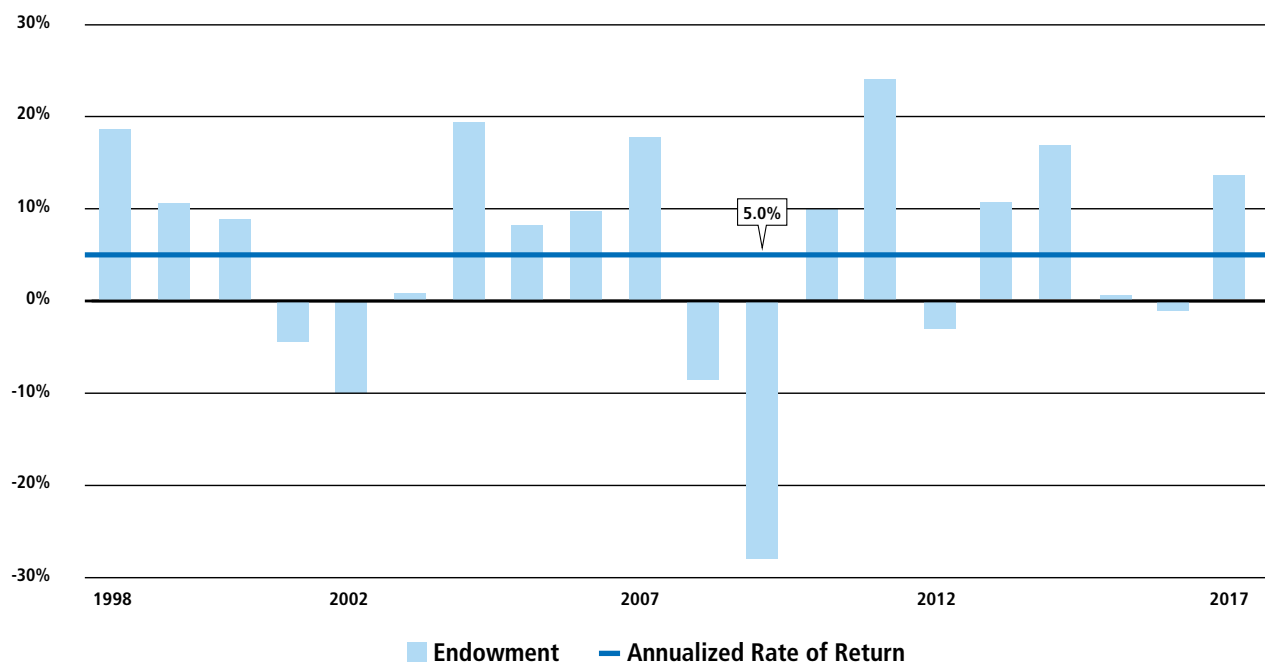
The **Office of Investment** is led by the chief investment officer and is responsible for the daily operation of the Endowment, the implementation of and compliance with the Investment Policy Statement, decisions on how to allocate assets to the various investment strategies and investment managers, 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 2016-17 was 13.5%. The investment returns and net of fees for each fiscal year since 1998 are shown below. The average annual return rate during this period was 5%.

RETURN ON INVESTMENTS



ENDOWMENT SPENDING

SPENDING POLICY

Rotary has a four-tiered endowment spending policy intended to allow as many named endowed funds to support Rotary programs as is prudent. Any named fund whose current market value is at least 90% of the total contributions to the fund will provide spendable earnings for the fund's designated programs. Named endowed funds with a higher market value in relation to their gift value will use a higher spending rate. Funds whose market value is less than 90% of the total gift value will have no spending in order to build the fund for the future. This policy ensures that the Foundation can maximize support for programs today while growing the endowment to support future programs.

SPENDING TIERS AND RATES

Tier	Status of named endowed fund on 31 December 2015	Spending	Spending Rate
1	Market value more than 10% below accumulated gift value	No spending	0.0%
2	Market value 10% or less below accumulated gift value	Conservative spending	2.0% ¹
3	Market value equal to or not more than 10% above accumulated gift value	Modest spending	4.0% ²
4	Market value more than 10% above accumulated gift value	Full spending	5.0% ³

1 1.8% for program awards, 0.2% for program operations

2 3.2% for program awards, 0.3% for program operations, 0.3% for fund development, and 0.2% for general administration expenses

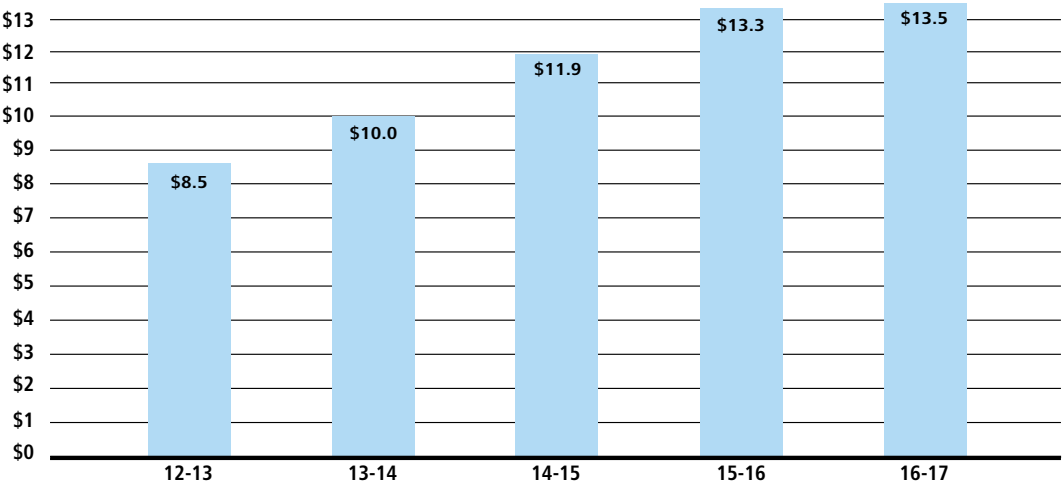
3 4.1% for program awards, 0.4% for program operations, 0.3% for fund development, and 0.2% for general administration expenses

SPENDABLE EARNINGS

The Endowment makes an annual distribution for programs and expenses equal to the amount of spendable earnings approved by the Trustees. For Rotary year 2016-17, spendable earnings totaled \$13.5 million, of which \$12.2 million was used for programs (\$11.1 million for awards and \$1.1 million for program operations), \$0.8 million was used for fund development, and \$0.5 million for general administration expenses.

Spendable earnings are transferred to the 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 (US\$ IN MILLIONS)

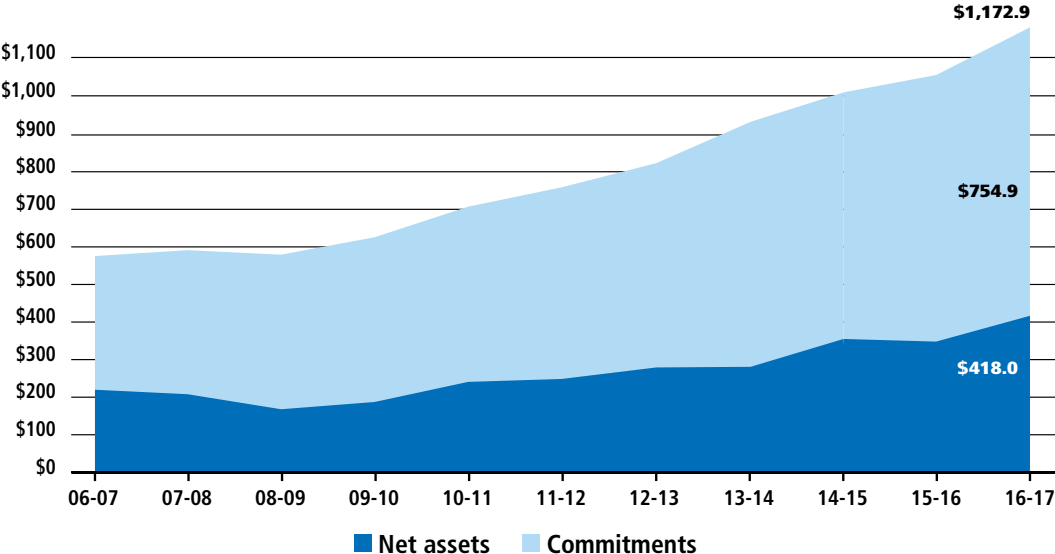


ENDOWMENT GROWTH

The net assets of the Endowment were \$418 million, including life income gifts⁴, as of 30 June 2017.

The Rotary Foundation also tracks commitments to the Endowment. Commitments represent promises made for future gifts, which are not currently assets of the Foundation and are not included in the audited financial statements. These commitments typically appear as a provision in a person’s will or other estate plan that names the Rotary Foundation Endowment as beneficiary. As of 30 June 2017, they totaled \$754.9 million, and the fund’s net assets plus commitments reached nearly \$1.2 billion.

ENDOWMENT MARKET VALUE AND COMMITMENTS (US\$ IN MILLIONS)



⁴ Net assets include life income gifts, which are irrevocable contributions that provide a beneficiary with a payment stream for life or a set number of years, depending on the type of vehicle used. The donor receives a U.S. charitable tax receipt for a portion of the face value of the gift.

FIVE-YEAR OVERVIEW OF ENDOWMENT GROWTH (US\$ IN MILLIONS)

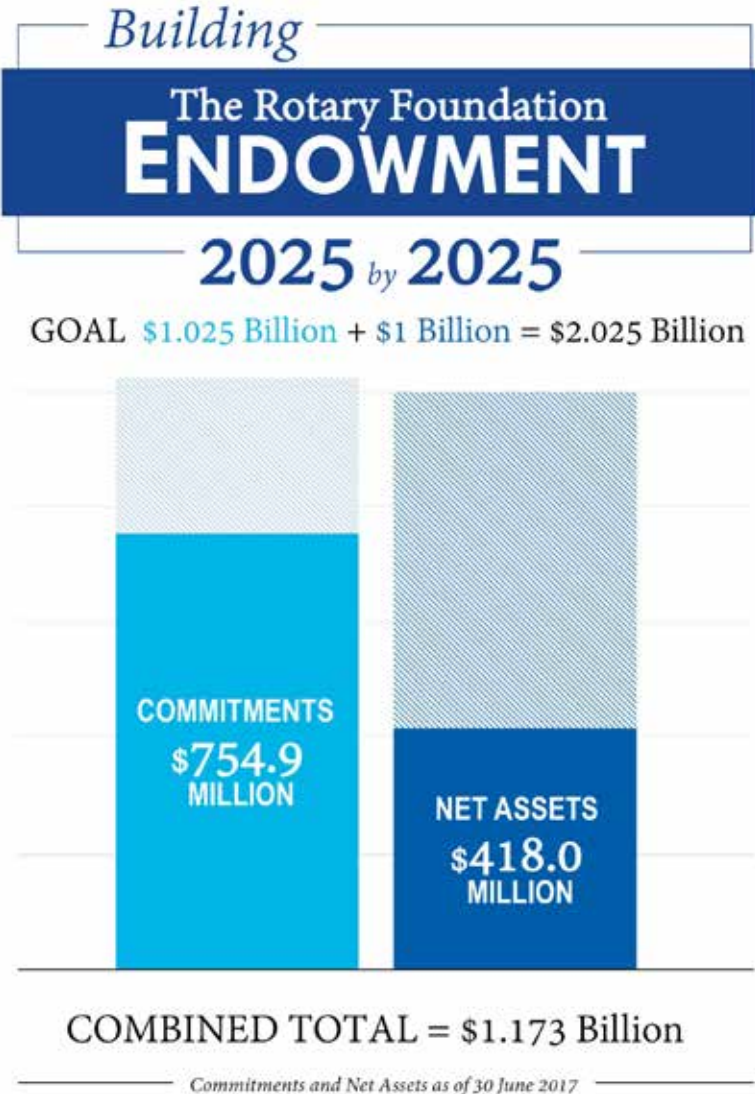
	2012-13	2013-14	2014-15	2015-16	2016-17
Beginning Net Assets					
Endowment Net Assets	227.5	227.2	317.4	336.4	336.7
Life Income Agreement Net Assets	13.2	14.5	15.1	14.5	13.4
Open Pledge Balances Net	5.4	40.2	17.7	8.2	7.7
Owned Insurance	2.5	2.5	2.6	2.4	2.4
Total	248.5	284.4	352.7	361.5	360.1
Change in Net Assets					
Contributions and Pledges	20.4	23.7	20.0	16.7	28.4
Investment Income	23.8	46.2	0.5	(4.2)	43.2
Total Spending	(8.5)	(10.0)	(12.0)	(13.3)	(13.5)
Operating Reserve Transfers / Other	0.2	8.4	0.3	(0.6)	(0.2)
Total	35.9	68.3	8.8	(1.4)	57.9
Ending Net Assets					
Endowment Net Assets	227.2	317.4	336.4	336.7	386.3
Life Income Agreement Net Assets	14.5	15.1	14.5	13.4	14.5
Open Pledge Balances Net	40.2	17.7	8.2	7.7	14.8
Owned Insurance	2.5	2.6	2.4	2.4	2.4
Total	284.4	352.7	361.5	360.1	418.0
Commitments⁵	530.6	569.5	661.6	690.6	754.9
Total	\$815.0	\$922.2	\$1,023.1	\$1,050.7	\$1,172.9

5 Formerly referred to as "expectancies."

BUILDING THE ROTARY FOUNDATION ENDOWMENT: 2025 BY 2025

In April 2016, The Rotary Foundation set a goal of raising the Endowment to \$1.0 billion in net assets (invested funds) and \$1.025 billion in commitments for future gifts, totaling \$2.025 billion in outright gifts and commitments, by the year 2025.

NET ASSETS AND COMMITMENTS AS OF 30 JUNE 2017



One hundred years of Rotarian dedication made The Rotary Foundation’s success possible. Visit rotary.org/legacy to learn more about establishing a Rotary legacy that will shape the next century of service.

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 your area’s North American major gifts officer at majorgifts@rotary.org. Outside North America, please contact your nearest Rotary International office:

Brazil office	fr.brasil@rotary.org
Europe/Africa office	eao@rotary.org
Japan office	rijapan@rotary.org
Korea office	rikorea@rotary.org
South Asia office	risao@rotary.org
South Pacific and Philippines office	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 2016-17 BOARD OF TRUSTEES

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CHAIR-ELECT

Paul A. Netzel, USA

VICE CHAIR

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Kenneth M. Schuppert Jr., USA, 2016-17

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Örsçelik Balkan, Turkey

William B. Boyd, New Zealand

Ron D. Burton, USA

Mario C. de Camargo, Brazil

Mary Beth Growney Selene, USA

Sushil Gupta, India

Gary C.K. Huang, Taiwan

Seiji Kita, Japan

Barry Rassin, Bahamas

Bryn Styles, Canada

Young Suk Yoon, Korea

GENERAL SECRETARY

John Hewko, USA

THE ROTARY FOUNDATION 2016-17 INVESTMENT COMMITTEE

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VICE CHAIR

John A. Stairs, Canada

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Ravi B. Bhooplapur, USA

Lisa Eslinger, USA

Gregg Giboney, USA

Sushil Gupta, India

Lauren C. Templeton, USA

Young Suk Yoon, Korea

ADVISER

Mario C. de Camargo, Brazil



ON THE COVER

The Rotary Club of Harvard, Illinois, USA, uses a community garden project to alleviate hunger in the community. Nearly 10,000 pounds of fresh vegetables are grown from May to October and distributed to low-income families through the local food pantry. Residents and youth groups are also educated on the health benefits of including fresh produce in their daily diet.



ROTARY INTERNATIONAL®
THE ROTARY FOUNDATION

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