RI TREASURER’S REPORT TO THE CONVENTION
Virtual Convention
June 2020

Dear Rotarians,

I would like to thank you for the opportunity to serve as Rotary International’s Treasurer for Rotary’s 2019-20 year. It is my duty under our bylaws to provide you with a report on our organization’s finances.

This report includes financial results for the 11 months ended 31 May 2020 and compares actual results to budget. Note that all values are in U.S. dollars (millions).

**RI financial performance for the 11 months through 31 May 2020**

<table>
<thead>
<tr>
<th>Revenues</th>
<th>May 2020 Preliminary US$ millions</th>
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<tbody>
<tr>
<td>Dues</td>
<td>74.7</td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>0.8</td>
</tr>
<tr>
<td>Services and Other</td>
<td>0.7</td>
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For the 11 months ended 31 May, dues revenue was $74.7 million and is forecasted to reach $82.1 million by 30 June, which is projected to be in line with budget.
Membership levels fluctuate through the year but our average membership for the current year is close to expectation.

This year, global financial markets declined as the coronavirus spread and forced the partial shut-down of economic activity. The impact of the market volatility on the Rotary International investment portfolio was limited by the fact that the investment portfolio is managed conservatively with the objective of generating a modest amount of income and minimizing the risk of loss. Rotary International’s investment portfolio earned $1.9 million by the end of May, $1.4 million lower than budget.

The final element of Rotary International’s revenue is generated from services and other activities, which are largely self-funding. For example, registration revenue for the convention covers the expenses of running the convention. The forecast of the full year services and other revenues is to be unfavorable to budget by $7.8 million due to cancellation of the Honolulu Convention.

RI’s operating expenses for the 11 months ended 31 May 2020 were $71.4 million, which is $8.9 million less than budgeted. Some of this favorability, approximately $6.5 million, is forecasted to be permanent savings for the year. This relates to lower than expected travel expenses, deferred software licensing, marketing projects and deferred enterprise projects. Some of the favorability is due to activities that have been deferred from 2020 to the next fiscal year, such as communications relating to eradication of polio. We are constantly looking for ways to reduce costs by implementing more efficient processes, by eliminating activities, or by implementing more cost-effective methods (such as moving paper-based communications to digital, and holding meetings virtually instead of in person).

Expenses related to services and other activities are lower than budgeted through May. However, the forecast for the full year is for expenses to be favorable to budget by $4.7 million due to cancellation of the Honolulu Convention.

The five-year forecast indicates that RI reserves are healthy and sufficient to protect the organization from unpredictable situations.
Update on The Rotary Foundation

The Foundation set a comprehensive fundraising goal of $400 million, including $60 million in new expectancies to the Endowment Fund and Polio transfers, by 30 June 2020. Contributions of $295.4 million and an addition $61.3 million in new expectancies and transfers were received through the 11 months ended May 2020. Net investment earnings are a loss of $1.1 million year-to-date 31 May which is $41.1 million lower than budgeted. Of the ($1.1) million loss, approximately ($8.0) million represents the Endowment Fund loss, which does not have a short term impact on funding; partially offset by the Annual Fund and Operating Reserve combined earnings of $6.1 million and the PolioPlus Fund earnings of $1.1 million.

The Rotary Foundation had program expenses of $246.5 million through 31 May including $51 million for PolioPlus. We thank our donors and members who carry out these projects for this important investment in communities all around the world.

Outlook and conclusion

As I conclude my year as Rotary International’s treasurer, I look back at all that has been accomplished. Not only will we conclude 2019-20 in strong financial terms, but Rotary International and The Rotary Foundation are in a good position to invest in our future. It is important to know that the FY20 Projected Actuals and FY21 Budget provide an estimate of the impact of the Covid-19 pandemic, which is subject to the volatility of market conditions and updated information.

At the Council on Legislation (COL) in 2016, delegates approved a $4 dues increase each year for three years beginning in 2017-18 (FY18). Then at the 2019 COL, delegates approved another $1 dues increase each year for three years beginning in 2020-21 (FY21). We have delivered many valuable projects to Rotarians - you have already begun to see the results of these investments through the improvements in My Rotary.

We continue to fund what Rotarians have requested, to develop membership initiatives to engage and retain members, to build tools to communicate with future generations of Rotarians, and to update our systems to ensure we are globally compliant in the countries where we operate. Rotary is well placed to remain the world’s foremost membership and service organization and to continue to drive service to its members.

Finally, I would like to thank my fellow Rotary Board members, the Finance Committees, and the Secretariat for their support. I have the greatest respect for my successor, Bharat Pandya. I am confident that he will serve Rotary well as treasurer throughout fiscal 2021.

David Stovall
2019-20 RI Treasurer