



## RI TREASURER'S REPORT TO THE CONVENTION

Korea  
May 2016

Good afternoon everyone. My name is Per Høyen and I am the treasurer of Rotary International.

I am pleased to report that despite the poor investment climate this year, our organization is in good shape.

Rotary International has two primary sources of revenue: dues and investment income.

In addition, there is revenue from programs and events, such as this convention and our Council on Legislation, which is offset by expenses incurred in running those programs.

First, let me talk about dues.

Rotary is the world's foremost member-based service organization. While other membership organizations have been shrinking, and some have even failed, Rotary has remained strong and is in fact growing.

I am happy to tell you that since 1 July, 2015 we have registered a net increase of 29,910 members as of the end of April 2016. Dues are Rotary's largest source of income. Membership growth or declines will have a significant impact on our revenue.

This year's Council on Legislation, by a nearly two-thirds majority, changed our proposed \$1 dues increase to \$4 per year in fiscal years 2017-18, 2018-19, and 2019-20. This was a progressive and forward-thinking action.

The Council representatives made this change to help ensure the long-term financial viability of our organization as we steadily progress through our second century of service.

The second source of revenue is our investments. Rotary International has a diversified portfolio of investments that have the primary objective of providing for our long-term financial security. Other objectives include maintaining a reserve fund, providing modest earnings to help pay operating expenses, and providing liquidity, if it's needed for operations.

Rotary International makes investment decisions using a five- to seven-year horizon rather than reacting to short-term market changes. As we have seen, the world's investment markets have been volatile over these last two years. Rotary International projects investment losses again this fiscal year; however, you will note that, over the medium and long term, we have been able to sustain good, positive returns from our investments.

Let me also comment on our third source of revenue. As I mentioned, these are revenues from events such as the Council on Legislation and the Rotary International Convention, as well as the world headquarters facility, which has been designed to generate revenue to cover expenses.

For example, subscriptions to The Rotarian magazine cover the expense of producing the magazine. Likewise, registration fees for this convention offset its cost. Any surpluses are put in a convention reserve to cover other conventions' shortfalls.

Having spoken of revenues, let us now look at expenses. Rotary International's operating expenses for this year are expected to be lower than what was budgeted. We have reduced spending in many areas, including staffing, use of consultants, and also travel costs.

President Ravindran has made it his priority to drive down costs wherever possible, including in his own activities as your president. Senior Rotary leaders have followed his lead in keeping their expenses below budget. This fiscal year, we will achieve savings in excess of \$1 million on budgeted expenditures. I am pleased to say that we are on target for achieving President Ravindran's goal of reducing costs. His leadership and progressive business approach have prompted positive changes that will have an impact on our organization for many years to come.

Reducing costs is not new at Rotary. Over the years, we have continuously re-examined our spending to identify areas where it might be reduced. Nearly 10 years ago, Rotary was one of the first global charities to move its data processing and software development to India, which saves nearly \$3 million per year.

Over the years, we have also outsourced printing, storage, and mailing of our publications, resulting in \$400,000 of savings per year. The new club invoicing system helps us save another \$250,000 per year.

Beyond our cost-cutting initiatives, our Board launched a member benefit program, Rotary Global Rewards, at the beginning of this year. The goal of this rewards program is to offer a tangible membership benefit.

This program is yet another investment made for our future. We will continuously evaluate the progress of the program and expect to see it break even within three years.

Finally, the Finance Committee and staff are studying whether it is feasible for RI to establish a risk-based reserve. The goal of the risk-based reserve initiative is to come up with a systematic way to create a customized financial reserve for RI.

Overall, it has been another good year for Rotary. Membership is up and expenses are down. Under President Ravindran's leadership, and with the progressive decisions made by your representatives at this year's Council on Legislation, I am confident we are heading in the right direction.

In conclusion, I would like to thank my fellow RI Board members, the finance committees, and the staff for their support; particularly, our chief financial officer, Lori Carlson, for her help and invaluable guidance and commitment to supporting me and our organization. We are fortunate to be blessed with such good people to work with.

I am pleased to pass on my duties to my successor, Director Hsiu-Ming "Frederick" Lin of Taiwan, who will serve Rotary well as treasurer in the coming year, and I wish him every success.

Thank you.

Per Høyen  
2015-16 RI Treasurer

Note: Additional financial information for both Rotary International and The Rotary Foundation, including audited financial statements, annual reports, government filings, and a list of frequently asked questions, is available at [My Rotary](#).