



**A Foundation for the New Century**

**THE ROTARY FOUNDATION ANNUAL REPORT 2004-05**



## **The Mission Statement of The Rotary Foundation of Rotary International**

The mission of The Rotary Foundation is to support the efforts of Rotary International in the fulfillment of the Object of Rotary, Rotary's mission, and the achievement of world understanding and peace through local, national, and international humanitarian, educational, and cultural programs.

Front cover photo: Rotary Foundation Matching Grants are helping Thailand's fishing industry rebound from the tsunami disaster.

*Front and inside cover photos by Cedric Arnold*





RI President Glenn E. Estess Sr. (center) and Rotary Foundation Chair Carlo Ravizza (right) present wreaths on behalf of Rotary International and The Rotary Foundation at the Hiroshima Peace Memorial in Japan.



This has been a pivotal year for The Rotary Foundation. In addition to celebrating the Rotary Centennial and the many contributions its Foundation has made, we crossed the threshold into Rotary's second century of service. As Rotarians, we continue to strengthen and equip the Foundation to help meet a world of humanitarian needs.

wisely, and allocate them prudently in support of meaningful projects supported by Rotarians. Earlier this year, the Trustees established a Stewardship Committee to increase oversight of Foundation funds and help ensure their appropriate and transparent use. Also, stewardship seminars have been conducted in many districts, and more are planned for 2005-06.

## THE ROTARY FOUNDATION ANNUAL REPORT 2004-05

The improved investment outlook and increased contributions this year enabled the Trustees to lift the moratorium on the Health, Hunger and Humanity (3-H) Grants program and reinstate the yearly Group Study Exchange program. The Trustees also increased the budget for Matching Grants, making it possible for clubs and districts to carry out more urgently needed humanitarian projects.

In response to the devastating tsunami, the Foundation established the Solidarity in South Asia Fund. Rotarians contributed more than US\$5 million to the fund for tsunami relief, which will assist in reestablishing infrastructure and the fishing industry and providing equipment to hospitals, schools, and other facilities.

Although the Foundation funds so many worthwhile efforts, the lead priority continues to be the PolioPlus program. We are committed to staying the course with our global partners until the certification of polio eradication is achieved.

The main responsibility of the Foundation's Trustees is to secure the funds entrusted to them, invest them

The Foundation received a number of constructive recommendations for major changes in its operations, as a result of a review performed by an independent consulting firm. These recommendations identify ways to streamline the Foundation's administrative processes and provide better service to Rotarians. A Rotary Foundation Future Vision Committee has been formed to consider these and other recommendations in developing a comprehensive plan for the Foundation in carrying out its programs.

In order to realize our goals and dreams of service, it is vital that we sustain our commitment to support the Foundation with our time and resources. In 2004-05, Rotarians contributed \$84.7 million to the Annual Programs Fund, a new record. By encouraging every Rotarian to contribute to the Foundation every year, the Foundation will be well-equipped in Rotary's second century to help transform the lives of those in despair and continue working diligently toward world understanding and peace.

Carlo Ravizza  
2004-05 Chair  
The Rotary Foundation Trustees





[opposite page]

Past District Governor David Groner immunizes a child in Varanasi, Uttar Pradesh, India.



Polio surveillance volunteer Jenny Horton visits with a group of children in Ethiopia.

## POLIOPLUS

The final push for a polio-free world

### Rotarian volunteers travel to support National Immunization Days

When countries need help immunizing kids against polio, Past District Governor David Groner and his wife, Barbara, have been among the first to step forward. Both members of the Rotary Club of Dowagiac, Michigan, USA, the Groners have led several groups of Rotarian volunteers to participate in National Immunization Days (NIDs) in Benin, Egypt, India, Niger, and Nigeria. One of the teams in India

included Past RI Director Charles Fogel, age 90, of Buffalo, New York, USA.

“Once you see the crawlers [people crippled by polio], you just can’t help but be committed,” said Barbara Groner. “To think of a child who was healthy and running and six hours later wakes up with a high fever and can’t move his legs . . . it really hurts.”

“We’re in this until polio is declared a disease of the past,” said David Groner.

Jenny Horton, of the Rotary Club of Paddington/Red Hill, Queensland, Australia, echoes the Groners’ commitment. A nurse, Horton has served in Botswana, Ethiopia, and Pakistan as a member of the Stop Transmission of Polio program run by the U.S. Centers for Disease Control and Prevention. “I am passionate about polio eradication,” said Horton. “For me, it is a must to assist in the eradication of this disease.”

Eighty-two-year-old Wesley Rush, of the Rotary Club of Danville, Illinois, USA, volunteered for 10 days of NIDs in Benin, Burkina Faso, and Togo. “There’s nothing like looking into the eyes of a mother and seeing the appreciation as you drop the vaccine into the child’s mouth,” he said.

As the global effort zeros in on remaining polio-endemic areas, volunteering among Rotarians has intensified, spurred by the realization that the job must be finished while the window of opportunity remains open.

“The goal of ending polio and its devastating consequences is within reach,” said Ezra Teshome, an Ethiopian-born member of the Rotary Club of University District of Seattle, Washington, USA, who led 50 U.S. Rotarians taking part in Ethiopia’s October 2004 immunization campaign. “Yet, it is vital that we continue our efforts to reach every child with the vaccine. If gone unchecked, the poliovirus will spread again as it has in Nigeria and West Africa.”

Volunteers carry cold boxes filled with vaccine to immunize children against polio in Kano State, Nigeria.



M. Kathleen Pratt/RI

## Progress in polio-endemic countries continues

The 2004-05 Rotary year has been one of progress and cautious optimism in the global effort to eradicate polio. Here is an overview of gains being made in polio-endemic countries.

- **Nigeria**, which has the highest incidence of polio, halved the rate of new polio infections in the first quarter of 2005, compared with the same period in 2004. RI and its partners are optimistic that the outbreak of polio in Nigeria, which led to importations of the disease in other countries, is being reversed through joint immunization campaigns.
- **India** made its most important progress to date during 2004 and early 2005. The country's children are better protected against polio than ever before through more effective immunization strategies, and its surveillance system continues to improve.
- In **Pakistan**, major improvements in immunization activities have reduced the number of cases to half that reported during the same period last year.
- The need for improved surveillance remains in **Niger**, which confirmed in April its first polio case since October 2004. Last year at the same time, the country reported eight cases of polio.
- Improved immunization continues in **Afghanistan**, where five months have passed (as of May 2005) with no reported polio cases.
- **Egypt** used a powerful new oral polio vaccine during its May NIDs. The vaccine, also being used in several other countries, is a critical part of the strategy to eradicate polio worldwide.

Past RI President Jonathan Majiyagbe immunizes a child in Niger.



## Advocacy the key to mobilizing resources for polio eradication

"The G8 recognizes the excellent work of the Polio Eradication Initiative [PEI] and the special contribution made by Rotary International, through direct financial contributions and the engagement of thousands of volunteers throughout the world."

So read a 2004 statement by the coalition of eight leading industrialized nations, reaffirming their commitment to global polio eradication. Since 1985, of the US\$4 billion in total funding for the PEI, more than half (over \$2.2 billion) has come from G8 countries and nearly 15 percent (\$606.1 million) from Rotary International.

Rotary has also helped enlist new countries to become donors to the PEI in 2004-05:

- While serving as Rotary's PolioPlus national advocacy adviser in Sweden, RI President-elect Carl-Wilhelm Stenhammar and representatives of Rotary's partners, the World Health Organization (WHO) and UNICEF, met with Swedish government officials to encourage their support for polio eradication. In December 2004, Sweden announced its first contribution of \$30 million to the PEI.
- In September 2004, representatives of Rotary, WHO, and UNICEF met with the Spanish Agency for International Cooperation. Shortly thereafter, Spain announced its first commitment to the PEI: \$426,000. In December, the Spanish Ministry of Health announced a new contribution of \$2.14 million to support polio eradication in eight African countries.

## The ongoing benefits of polio eradication

The global eradication of polio will leave a legacy of better health for children not only by ending a deadly, crippling disease but in many other ways, including:

- Potential global savings of more than US\$1 billion per year with the eventual elimination of immunization, treatment, and rehabilitation expenses
- Continued benefits from the World Health Organization's surveillance network, established with Rotary's help, which includes 140 laboratories worldwide. This infrastructure, created originally for the PEI, is now also being used to fight yellow fever, meningitis, cholera, measles, and other diseases.
- The PolioPlus program as a model of cooperation between nongovernmental organizations and government agencies on a large-scale public health initiative



Dr. Norman Alidio, of the Rotary Club of San Pablo City, immunizes a child against hepatitis B.



## HUMANITARIAN GRANTS PROGRAM

Extending Rotary's reach to more people in need

### Club brings health care to the underprivileged

For indigent people living in San Pablo City, Philippines, access to health care is hampered by high costs, lack of awareness of existing services, and other barriers.

“A day's pay is just enough for a day of food, [with nothing] for other needs,” observed Dr. Noel Alidio, project coordinator and a member of the Rotary Club of San Pablo City. “Some malnourished children are too weak to go to school. They [also] suffer from pneumonia, diarrheal diseases, skin infections, and infestations. Adults are also prone to malnutrition, tuberculosis, and other chronic illnesses.”

Alidio and several of his fellow club members volunteer regularly at a clinic sponsored by his club. Twice a month, the clinic offers the city's underprivileged residents free diabetes monitoring, hypertension and tuberculosis programs, and nutritional counseling. Aided by a Rotary Foundation Matching Grant, the Rotary clubs of San Pablo City and Crows Nest, New South Wales, Australia, teamed up to provide the clinic with badly needed medicines and hepatitis B vaccine.

“The clinic project has made health care delivery accessible to these people,” said Alidio. “Patients are now more equipped to manage their medical problems with proper knowledge and guidance.”

Mentally disabled individuals near Pilsen, Czech Republic, enjoy therapeutic activities at an agricultural workshop, as part of a Rotary Foundation Matching Grant project.



## **Good neighbors reach out to the forgotten**

A visionary Foundation Matching Grant project, carried out by Czech and German Rotary clubs, has improved life for older people and the disabled of all ages in West Bohemia, Czech Republic.

"Many of the old, poor, and handicapped remain forgotten, even after the Iron Curtain breakdown," said Horst Melzer, past governor of District 1880 (Germany), and Dobroslav Zemen, past governor of District 2240 (Czech Republic and Slovakia), in a joint statement about the project. "Unfortunately, they have missed the opportunity to adapt themselves to the free world."

One German and one Czech Rotary club teamed up to carry out each component of the four-fold project. The effort provided rehabilitation and training equipment for mentally disabled children in a social care institute; beds for handicapped seniors in a long-term care facility; a minibus to transport children with multifunctional handicaps to and from a special education school; and a minibus to take mentally disabled clients to and from therapeutic workshops.

"The mission of mutual cooperation of these neighboring Rotary districts has been expressed by the District 1880 theme, Bridge to the East," said Past District Governor Hans Schlei.

## **Program offers young burn victims new life**

In many Latin American countries, children suffer serious burns from cooking and heating fires, fireworks, sunburn, and other accidental causes. In 1979, Dr. Jorge Rojas, of the Rotary Club of Santiago, Chile, founded Coaniquem (Corporation for the Aid of Burned Children) to provide free treatment and rehabilitation to burned children, help prevent accidental burns, and train health care professionals.

"We wanted to ensure equal treatment for every child, with no concern about a family's ability to pay," said Rojas. "Burn-related accidents occur at every level of society, and Coaniquem helps everyone who needs it."

A Health, Hunger and Humanity (3-H) project trained Rotarians, Rotaractors, Interactors, Rotary Community Corps members, and others to carry out burn prevention campaigns in eight South

American cities. It also rehabilitated child burn victims at Coaniquem's Santiago and Antofagasta treatment centers, and trained medical professionals in the eight cities in all phases of this specialized care. The two Chilean centers now enable Coaniquem to treat some 9,000 patients from 11 countries annually. A charitable foundation was established in the United States to extend support for Coaniquem after the end of 3-H Grant funding.

Rotary clubs in several South American countries and District 5170 (California, USA) helped implement the 3-H project and continue to provide support. As a slogan of the Rotary Club of Asunción, Paraguay, states in promoting aid for burn victims: "Pain has no borders, neither does Rotary service."

Then-Chilean Undersecretary of Education José Weinstein Cayuela (far left) helps distribute educational materials on burn prevention to children and family members at a Coaniquem facility.





## EDUCATIONAL PROGRAMS

Cornerstone for strengthening world understanding



### **Former Rotary World Peace Fellow named presidential adviser**

A Rotary World Peace Fellowship helped open the door for Arnoldas Pranckevicius of Lithuania to become a domestic policy adviser to his “idol of moral leadership” and president of the Baltic republic, Valdas Adamkus. Pranckevicius, who speaks English, French, Lithuanian, and Russian, graduated from Sciences Po in Paris with a master’s degree in international affairs. His fellowship was sponsored by District 7150 (New York, USA).

“I was indeed blessed with the opportunity to join his team and contribute in his effort of making Lithuania an ever more democratic, secure, and prosperous nation,” he said.

Pranckevicius analyzes trends and developments in Lithuania’s political system, along with drafting speeches and policy statements for the president. The 25-year-old adviser has tackled issues such as political corruption, advancement of ethical standards, and promotion of a civic and open society. The country’s parliamentary elections in 2004 and formation of a new government proved particularly challenging.

“I not only had to follow and analyze the campaign and programs of the political parties [and] make election predictions,” he said, “but also draft possible coalitions and suggest the long-term consequences of one of the other formations in the government.”

Arnoldas Pranckevicius (left),  
adviser to Lithuanian President  
Valdas Adamkus (front)

### **GSE team gains a new world view**

Taking part in a National Immunization Day (NID) highlighted District 5400's (parts of Idaho and Oregon, USA) Group Study Exchange visit to District 9120 (Nigeria). In Kaduna State, the team observed how World Health Organization workers and Rotary volunteers vaccinated children against polio, then joined in locating and following up with children missed by the massive effort.

"The most inspirational part of the trip was witnessing the projects of the Rotary clubs," said team member Kurt Eilmes, a sports reporter for the *Idaho State Journal*. "From giving isolated children an education or low-income mothers and infants basic health care, the Rotarians in Nigeria are to be commended for their efforts. This was a life-changing experience and I am extremely grateful for it."

Other project visits included a Rotary Foundation Matching Grant effort that provided 10 incubators to two hospitals, polio rehabilitation, supplies to a two-room school, and education about child spacing and HIV/AIDS. In addition, the team met with their professional counterparts, attended the District 9120 Conference, and addressed 10 Rotary club meetings.

"I gained a new respect for the cultures, traditions, and desires of others," said team member Shelby Kerns, program manager for the Idaho Real Estate Commission. "I am grateful each day . . . for the chance that I was given to experience a new culture and learn to view life in a whole new way."



A radio station in Abuja, Nigeria, interviewed GSE team members during a call-in program for listeners.

### **Scholar builds international relations from the inside out**

The Universidad de Chile's Institute for International Studies impressed Rotary Foundation Scholar Zoë Craig with its commitment to academic excellence and global recognition as a top learning center for international relations. But living and studying in another culture also reinforced her commitment to "thinking globally while acting locally."

"I volunteered at a local orphanage, Fundación Hogar Espanaza, and joined the team at Casa de la Paz, a Chilean nonprofit organization specializing in conflict resolution, community education, environmental education, and corporate accountability," said Craig, whose scholarship was sponsored by the Rotary Club of Albuquerque, New Mexico, USA. She also taught English to low-income college students and worked on a project to aid children suffering from a severe metabolic disease. Currently, she is working on a Rotary Foundation Matching Grant proposal to fund a microcredit program that will allow Chilean women with limited resources to become small business owners.

"One of the most meaningful experiences was dedicating a weekend, along with 150 other students and young professionals, to construct housing for families in a small town," said Craig. "Working side-by-side with the family as we built their new home provided a unique insight into the reality facing the many people who struggle [with] limited economic resources. . . . It was an experience that combined the key ideals of what Rotary promotes: teamwork, respect, cooperation, trust, responsibility, compassion, hard work, sharing, and dedication to Service Above Self."

[opposite page]  
Zoë Craig with the youngest daughter of the family whose house she helped build.













## 1 [overleaf]

National PolioPlus Committee Chair Sohaib Elbadawi leads children in chanting "Sudan free of polio" before they are vaccinated during the country's National Immunization Day.

## 2

A Foundation Matching Grant is helping to feed and educate impoverished children like these in Chinandega, Nicaragua, providing them an alternative to living in the city's garbage dump.

## 3

Girls participating in an AIDS awareness program march in an independence day parade in Cameroun. Rotary clubs in England, France, Germany, and Italy supported the Matching Grant effort, aimed at educating homeless girls about the disease.



Cedric Arnold









5

#### 4 [center spread]

In the wake of the tsunami disaster, a Thai fisherman stands proudly in his newly repaired boat, his livelihood relaunched with the help of districts 2060 (Italy) and 1560 (Netherlands), the Rotary Club of Eastern Seaboard (Pattaya), Thailand, and a Foundation Matching Grant.

5 A Group Study Exchange team from District 3480 in Taiwan receives a warm welcome to District 1480 in Denmark.

6 Matching Grant projects sponsored by Rotary clubs in Korea and the United States have helped land mine victims in Cambodia to earn a living and support their families by producing wheelchairs and prostheses.

#### 7 [overleaf]

Rotary Foundation Scholar Katie Krueger joined two other Foundation Scholars in raising funds to help support a school in their host country of Senegal. Sponsored by District 6270 (Wisconsin, USA), Krueger also donated proceeds from a writing award to the family of Sylvie Ndour (left).



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## FUND DEVELOPMENT

Building the Foundation with vision and continuity

### District leader sets challenging pace of Foundation support

“The Rotary Foundation is a tremendous asset to making lives better,” said Gerald L. Harp, governor of District 6110 (parts of Arkansas, Kansas, Missouri, and Oklahoma, USA). “The more Rotarians we have and the more we give to the Foundation, the more great things we can accomplish.”

Harp and his wife, Vicki, contributed almost US\$318,000 to the Foundation’s Annual Programs Fund in 2004-05 to challenge giving by District 6110 Rotarians. The challenge gift was motivated by Gerald Harp’s role as district governor during Rotary’s centennial year. His leadership helped boost the district to fifth in the world in overall Foundation giving and seventh in contributions to the Annual Programs Fund. In support of the Every Rotarian, Every Year initiative, the district surpassed its goal of \$100 in per capita giving.

Through a \$500,000 contribution to the Foundation’s Permanent Fund, the Harps have also established the District 6110 and Gerald L. & Vicki L. Harp Endowed Rotary Foundation World Peace Fellowship. In addition, they have funded the Dr. Ben Saltzman and Mr. Jim Rountree Endowed Rotary Foundation Ambassadorial Scholarship, named in honor of two past RI directors from District 6110. The endowment supports scholars from District 7020 (parts of the Caribbean) for study at the University of Arkansas.

“I believe that for almost every problem there is, somewhere in the Rotary world, a club or district is working with The Rotary Foundation to help solve it,” said Harp. “That’s why I try to support the Foundation as much as I can.”



Major Donors Gerald L. and  
Vicki L. Harp



## Trustee-led effort tops 100 new Major Donors in Taiwan

It began as a drive to recruit 100 new Foundation Major Donors in Taiwan by 23 February to help celebrate Rotary's centennial. With the enthusiastic support of the country's seven district governors, it resulted in 104 Major Donors contributing more than US\$1 million to the Foundation's Annual Programs Fund.

Rotary Foundation Trustee Gary C.K. Huang came up with the idea for the effort as a show of gratitude for his appointment by RI President Glenn E. Estess Sr. to serve as a trustee. "I felt that I should contribute to the Foundation in a significant way and thank [him] for the honor bestowed on me," said Huang.

At the Presidential Celebration on Every Rotarian, Every Year/Future of Rotary, held in Taiwan in May, Estess honored Huang again — this time for his role in initiating the centennial Major Donors recruitment drive.

"The best way for us to celebrate the Rotary Centennial is to support The Rotary Foundation," said Huang, "and a strong Foundation will be most meaningful to all Rotarians in the world."

At the Presidential Celebration in Taipei, RI President Glenn E. Estess Sr. (fourth from left), Foundation Trustee Chair-elect Frank J. Devlyn (third from left), and Trustee Gary C.K. Huang (far left) help cut a cake in recognition of the formation of 14 new Rotary clubs in Taiwan.



## Major Donor embraces vision for helping others

Scharleen Colant seeks to make life better for people wherever she sees a need. A member of the Rotary Club of San Francisco, California, USA, since 1999, Scharleen and her late husband, Ernest, visited more than 200 Rotary clubs in the United States and six other countries to promote organ and tissue donation education and awareness during their first two years as Rotarians. She has also traveled with teams of Rotarians to several countries in support of eye surgery and cleft palate surgery projects.

Strong believers in the effectiveness of The Rotary Foundation, the Colants developed an innovative program to help support its Annual Programs Fund. The program matched contributions to the Foundation by Rotarians in District 5150 (California, USA) to help them become Paul Harris Fellows.

"Two hands-on polio projects in Ghana had a major impact on Ernest's life," said Scharleen. "Shortly after he learned that his life was to be brief, he expressed the concern that he had not done enough in Rotary."

Ernest Colant died in August 2004 before the matching program was completed. As a result of the program, District 5150 gained 275 Paul Harris Fellows and four 100% Paul Harris Fellow Clubs, netting approximately US\$73,000 for the Annual Programs Fund.

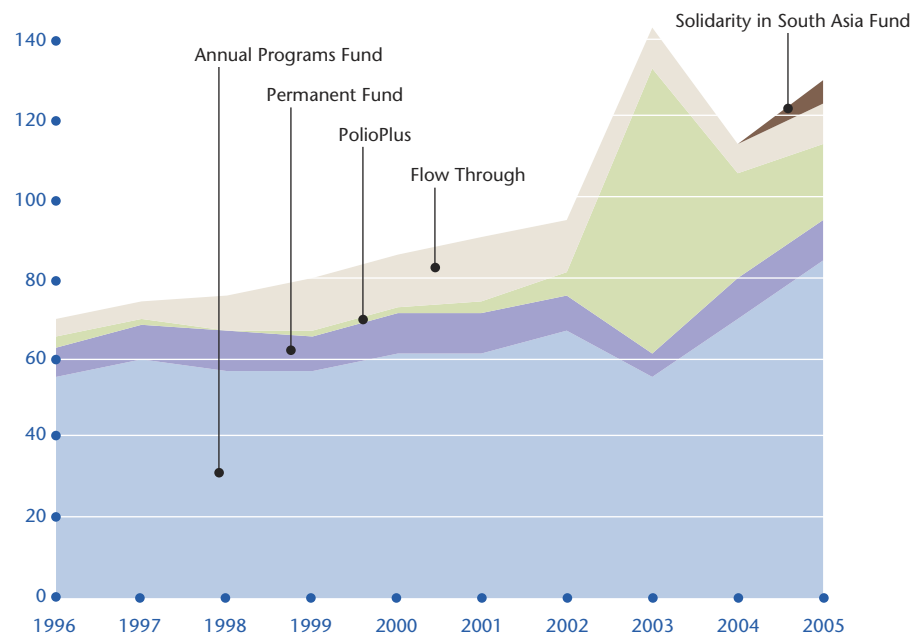
"Ernest, in his quite humble manner, would have been assured that he had done good work for Rotary," said Scharleen, who has also funded five Named Ambassadorial Scholarships and a Foundation Donor Advised Fund, and is a member of the Bequest Society.



Major Donor Scharleen Colant (front, fourth from left) and Past RI President Clifford Dochterman (front, third from left) honor new Paul Harris Fellows at a special ceremony held by the Rotary Club of San Francisco in November 2004.

FINANCIALS

CONTRIBUTIONS TO THE ROTARY FOUNDATION  
US\$ millions



TOP 20 GIVING COUNTRIES

Rank		Country	2004-05 Total Contributions	Annual Giving per Rotarian	
2005	2004			2004-05	2003-04
1	1	USA	US\$55,191,000	US\$86.73	US\$69.25
2	2	<b>Japan</b>	<b>17,863,000</b>	<b>106.83</b>	<b>93.81</b>
3	3	<b>Korea</b>	<b>6,987,000</b>	<b>119.57</b>	<b>112.12</b>
4	4	Canada	4,945,000	84.20	67.11
5	7	Germany	4,172,000	70.19	59.18
6	6	Italy	4,010,000	74.37	56.48
7	10	<b>Taiwan</b>	<b>4,007,000</b>	<b>136.28</b>	<b>102.42</b>
8	5	UK	3,920,000	49.23	42.78
9	8	India	3,676,000	29.43	27.40
10	11	Australia	2,987,000	58.94	50.89
11	9	France	2,942,000	65.02	57.12
12	13	Brazil	2,098,000	35.45	27.57
13	14	Switzerland	1,941,000	45.55	29.21
14	15	Mexico	1,063,000	57.37	57.59
15	19	Philippines	872,000	37.97	29.56
16	12	Netherlands	820,000	29.00	30.87
17	17	Belgium	766,000	48.96	42.30
18	16	Sweden	751,000	18.01	14.80
19	20	South Africa	688,000	84.88	78.98
20	21	New Zealand	681,000	49.56	40.48

What the Foundation  
Received

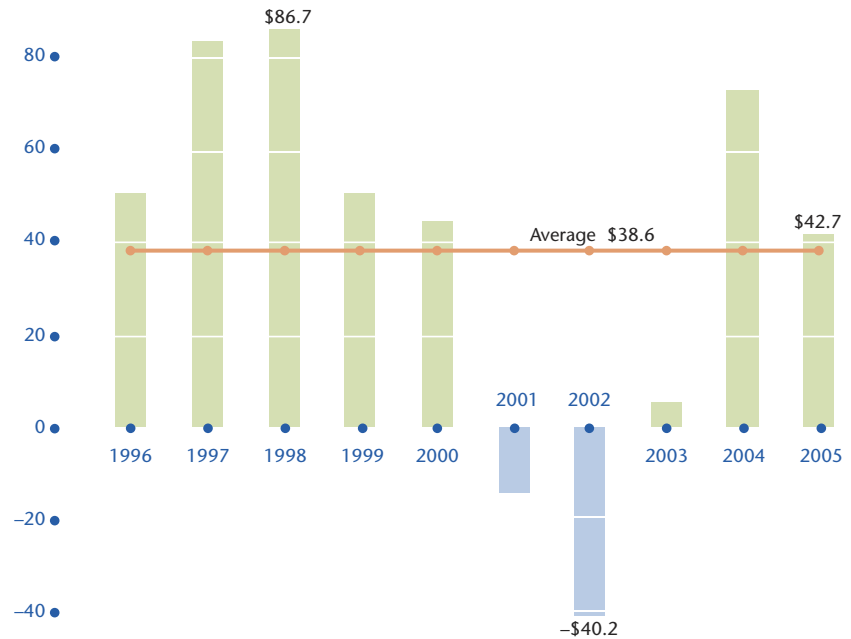
Contributions

Contributions, including US\$11.5 million in flow through contributions (primarily consisting of the sponsor portion of Matching Grant contributions) climbed from \$113.8 million in fiscal 2003-04 to \$129.4 million in fiscal 2004-05. Gifts to the Annual Programs Fund totaling \$84.7 million set a new record; while Japan, Korea, and Taiwan each exceeded the annual giving per Rotarian goal of \$100 (see chart left, boldface). Total giving to the Foundation has grown at an annualized rate of 7.1 percent over the past 10 years. During this time period, two-thirds of all gifts were contributed to the Annual Programs Fund. The impact of the Polio Eradication Fundraising Campaign can be seen during the years 2002-03 through 2004-05, when polio contributions totaled \$116.7 million.



## INVESTMENT INCOME

US\$ millions



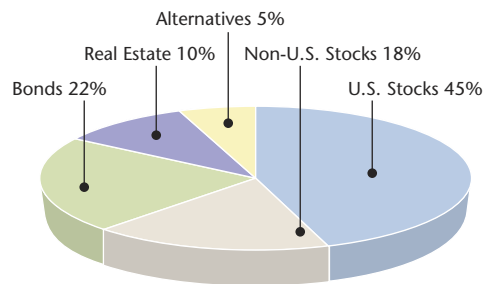
### Investment Income

The Foundation's investments contributed US\$42.7 million to 2004-05 total revenue of \$160.6 million. Investment income from the Annual Programs Fund and PolioPlus Fund totaling \$31.6 million was used to pay program operations, fund development, and general administration expenses. In accordance with the Permanent Fund's spending policy, investment income of \$11.1 million was allocated as follows: \$3.8 million to program awards, \$0.7 million for the Foundation's operating expenses, and the balance of \$6.6 million remained in the Fund.

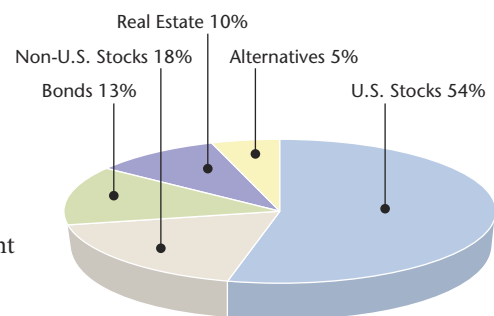
Investment income from all funds over the past 10 years averaged \$38.6 million per year. During this same time period, investment income from the Annual Programs Fund of \$192.5 million was used to fund the Foundation's operating expenses and excess investment income of \$99.3 million from 1996-97 through 1999-2000 was spent on program awards. The balance of the investment income remained in the operating reserve fund in accordance with Trustee policy.

The 2004-05 investment return for both the Annual Programs Fund and Permanent Fund was 8.2 percent. The PolioPlus Fund's investment return of 2.2 percent was significantly lower because the funds are invested entirely in short-term fixed income securities due to the relatively short-term nature of the program. Over the past 10 years, the annualized rates of return for the funds were 8.6 percent for both the Annual Programs Fund and Permanent Fund and 5.5 percent for the PolioPlus Fund.

### ASSET ALLOCATION OF ANNUAL PROGRAMS FUND



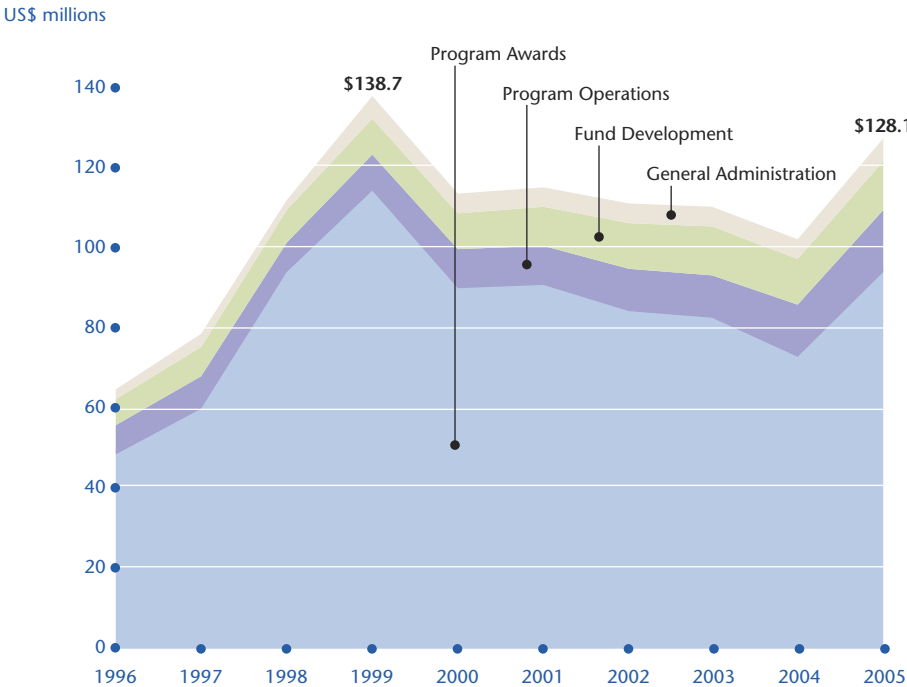
### ASSET ALLOCATION OF PERMANENT FUND



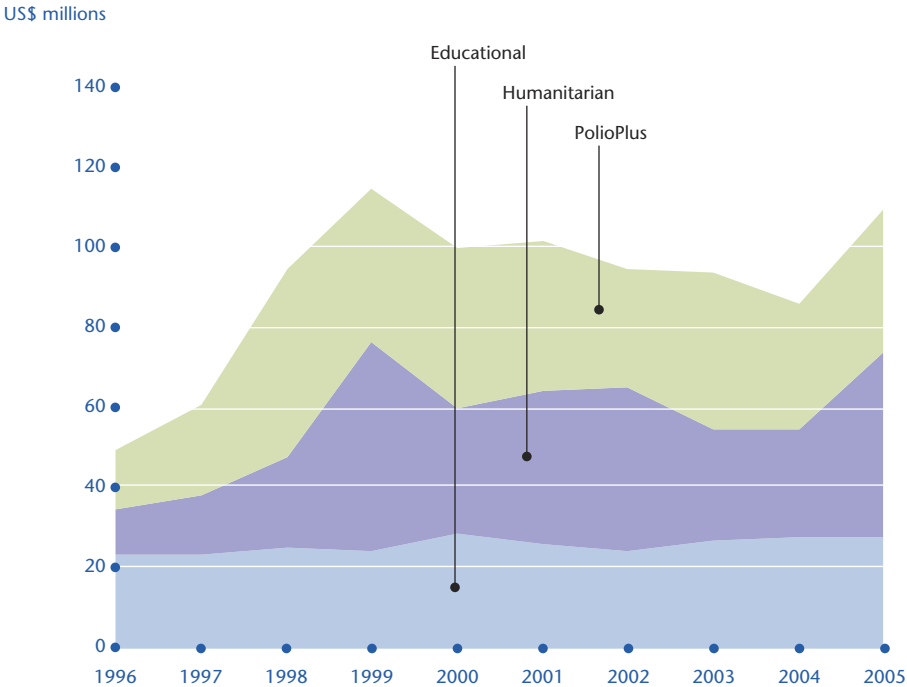
Experienced, professional investment managers who are appointed by the Foundation's Trustees manage the Foundation's investments. The Trustees closely monitor the performance of the investment managers and their compliance with policy guidelines. During this fiscal year, the Trustees further diversified the assets of both the Annual Programs Fund and Permanent Fund in an effort to improve returns and reduce the volatility of those returns. Allocations

to real estate increased by five percentage points and a new asset class, hedge funds, was added. Hedge funds are a subset of alternative investments that include a wide range of investment strategies having an absolute return orientation and low correlation with traditional market indices.

THE ROTARY FOUNDATION TOTAL AWARDS & EXPENSES



THE ROTARY FOUNDATION TRENDS IN PROGRAM SPENDING\*



\* Program Awards and Program Operation Expenses



## What the Foundation Spent

### Program Spending

Total program spending increased from US\$86.7 million in 2003-04 to \$110.2 million in 2004-05. Most of the increase was due to increased spending on humanitarian programs. Rotarian contributions funded \$94.5 million of program awards (those funds spent directly on humanitarian projects, polio eradication, or educational programs), while investment income funded \$15.7 million of program operation expenses (the cost of personnel, services, communications, publications, public relations, supplies, and computer support to plan, manage, evaluate, and report on the programs of the Foundation, and to support the Rotarians who implement international service activities).

Fund development expenses of \$12.2 million were paid from investment income. These expenses include the cost of personnel, services, communications, public relations, supplies, computer support, legal counsel, and recognition items involved in raising contributions and in recognizing the generosity of donors to the Foundation.

General administration expenses of \$5.7 million were paid from investment income. These expenses include the cost of personnel, services, communications, computer support, supplies, legal counsel, audit fees, and services to the Trustees (administrative support, cost of meetings, travel) to manage the Foundation's assets. General administration expenses include travel-related expenses (airfare, hotel, and meals) of \$203,000 for the chair and \$19,000 for the incoming chair of the Trustees. These travel expenses are incurred to promote the programs of The Rotary Foundation, to raise contributions and awareness for The Rotary Foundation, and to provide support for the International Assembly, the RI Convention, Trustee meetings, and Rotary zone institutes (RI Bylaws 22.060).

Over the past 10 years, 87 percent of the Foundation's total spending was for programs, 9 percent for fund development including recognition, and 4 percent for general administration. The percent of total funds the Foundation spends on programs compares favorably to U.S. and European standards that stipulate at least 65 percent of expenses should be for programs.

Over this same time period, 37 percent of program spending was for the eradication of polio, 35 percent went toward humanitarian programs, and 28 percent funded educational programs.

### Foundation Net Assets

The Foundation's net assets increased by US\$32.2 million over the prior year, primarily due to the increased level of contributions. Below is a chart that shows 2004-05 activity in each of the Foundation's funds.

US\$ millions

	Annual Programs Fund	Permanent Fund	PolioPlus Fund	Other	Total
<b>Net Assets @ 30 June 2004</b>	<b>\$ 348.4</b>	<b>\$ 141.3</b>	<b>\$ 80.9</b>	<b>\$ 0.1</b>	<b>\$ 570.7</b>
Contributions	84.7	9.9	18.5	4.8*	117.9
Investment income	30.1	11.1	1.5		42.7
Program awards	(56.0)		(33.1)	(5.4)	(94.5)
Program operations	(12.6)		(3.1)		(15.7)
Fund development	(12.1)		(0.1)		(12.2)
General administration	(5.7)				(5.7)
Transfers between funds	(2.9)	(4.5)	6.7	0.7	0.0
Other	(0.3)				(0.3)
<b>Net Assets @ 30 June 2005</b>	<b>\$ 373.6</b>	<b>\$ 157.8</b>	<b>\$ 71.3</b>	<b>\$ 0.2</b>	<b>\$ 602.9</b>

\* Solidarity in South Asia Fund

Note: Unbracketed numbers increase net assets, while bracketed numbers decrease net assets.

## FISCAL YEAR FINANCIAL RESULTS

### Five Year History

(US\$ in millions)

	2004-05	2003-04	2002-03	2001-02	2000-01
<b>Revenues</b>					
<b>Contributions <sup>1</sup></b>					
Annual Programs Fund	\$ 84.7	\$ 70.5	\$ 55.8	\$ 67.5	\$ 61.1
Permanent Fund	9.9	9.3	5.2	8.7	11.2
PolioPlus	18.5	26.2	72.0	5.0	1.9
Temporarily restricted	4.8			(0.2)	(0.3)
<b>Total Contributions</b>	<b>\$ 117.9</b>	<b>\$ 106.0</b>	<b>\$ 133.0</b>	<b>\$ 81.0</b>	<b>\$ 73.9</b>
<b>Investment Income</b>					
Annual Programs Fund	\$ 30.1	\$ 53.3	\$ 2.8	\$ (31.0)	\$ (14.4)
Permanent Fund	11.1	20.2	0.4	(12.7)	(4.9)
Children's Opportunities Grants					0.1
PolioPlus	1.5	0.1	2.2	3.5	5.4
<b>Total Investment Income</b>	<b>\$ 42.7</b>	<b>\$ 73.6</b>	<b>\$ 5.4</b>	<b>\$ (40.2)</b>	<b>\$ (13.8)</b>
<b>Total Revenues</b>	<b>\$ 160.6</b>	<b>\$ 179.6</b>	<b>\$ 138.4</b>	<b>\$ 40.8</b>	<b>\$ 60.1</b>
<b>Program Awards and Expenses</b>					
<b>Program Awards</b>					
Humanitarian Grants Program	\$ 38.5	\$ 21.1	\$ 23.0	\$ 36.9	\$ 34.9
Educational Programs	22.9	23.8	23.3	21.0	23.0
PolioPlus	33.1	29.3	36.9	27.5	34.0
<b>Total Program Awards</b>	<b>\$ 94.5</b>	<b>\$ 74.2</b>	<b>\$ 83.2</b>	<b>\$ 85.4</b>	<b>\$ 91.9</b>
<b>Program Operation Expenses</b>					
Humanitarian Grants Program	\$ 7.6	\$ 6.1	\$ 5.5	\$ 4.6	\$ 3.4
Educational Programs	5.0	4.1	3.5	3.2	3.7
PolioPlus	3.1	2.3	1.9	2.2	2.6
<b>Total Program Operation Expenses</b>	<b>\$ 15.7</b>	<b>\$ 12.5</b>	<b>\$ 10.9</b>	<b>\$ 10.0</b>	<b>\$ 9.7</b>
<b>Total Program Awards and Expenses</b>	<b>\$ 110.2</b>	<b>\$ 86.7</b>	<b>\$ 94.1</b>	<b>\$ 95.4</b>	<b>\$ 101.6</b>
<b>Operating Expenses</b>					
Fund development	\$ 12.2	\$ 11.6	\$ 11.5	\$ 11.3	\$ 9.6
General administration	5.7	4.9	4.6	5.0	4.4
<b>Total Operating Expenses</b>	<b>\$ 17.9</b>	<b>\$ 16.5</b>	<b>\$ 16.1</b>	<b>\$ 16.3</b>	<b>\$ 14.0</b>
<b>Total Awards and Expenses</b>	<b>\$ 128.1</b>	<b>\$ 103.2</b>	<b>\$ 110.2</b>	<b>\$ 111.7</b>	<b>\$ 115.6</b>
Minimum Pension Liability Adjustment <sup>2</sup>	\$ (0.3)	\$ 0.7	\$ (1.0)		
<b>(Decrease)/Increase in Foundation Assets</b>	<b>\$ 32.2</b>	<b>\$ 77.1</b>	<b>\$ 27.2</b>	<b>\$ (70.9)</b>	<b>\$ (55.5)</b>



	2004-05	2003-04	2002-03	2001-02	2000-01
<b>Rotary Foundation Assets <sup>3</sup></b>					
<b>Cash and Other Assets</b>	<b>\$ 37.9</b>	<b>\$ 40.8</b>	<b>\$ 46.1</b>	<b>\$ 21.1</b>	<b>\$ 25.8</b>
<b>Investments</b>					
Cash and short-term investments	21.9	27.6	52.7	33.8	36.8
Bonds	166.2	160.0	142.3	141.8	190.3
Stocks	382.3	351.4	286.8	304.8	326.9
Real estate	30.1	25.2	23.0	26.9	26.6
Alternative investments	17.7				
Split-interest agreements	18.6	15.3	13.4	13.7	14.6
<b>Total Investments</b>	<b>\$ 636.8</b>	<b>\$ 579.5</b>	<b>\$ 518.2</b>	<b>\$ 521.0</b>	<b>\$ 595.2</b>
<b>Total Assets</b>	<b>\$ 674.7</b>	<b>\$ 620.3</b>	<b>\$ 564.3</b>	<b>\$ 542.1</b>	<b>\$ 621.0</b>

### Rotary Foundation Liabilities and Net Assets <sup>3</sup>

#### Liabilities

Grants approved for future payment	\$ 47.4	\$ 33.0	\$ 53.7	\$ 51.0	\$ 59.1
Other accounts payable and liabilities	24.4	16.6	17.0	24.7	24.6
<b>Total Liabilities</b>	<b>\$ 71.8</b>	<b>\$ 49.6</b>	<b>\$ 70.7</b>	<b>\$ 75.7</b>	<b>\$ 83.7</b>

#### Net Assets <sup>4</sup>

Annual Program Fund	\$ 373.6	\$ 348.4	\$ 302.5	\$ 313.3	\$ 355.2
PolioPlus Fund	71.3	80.9	78.5	39.8	58.7
Permanent Fund	157.8	141.3	112.6	113.1	122.6
Other restricted assets	0.2	0.1		0.2	0.8
<b>Total Net Assets</b>	<b>\$ 602.9</b>	<b>\$ 570.7</b>	<b>\$ 493.6</b>	<b>\$ 466.4</b>	<b>\$ 537.3</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 674.7</b>	<b>\$ 620.3</b>	<b>\$ 564.3</b>	<b>\$ 542.1</b>	<b>\$ 621.0</b>

#### Flow Through Contributions

Matching Grants	\$ 10.1	\$ 6.7	\$ 9.6	\$ 11.6	\$ 12.3
PolioPlus Partners	1.2	0.7		1.7	3.5
Other restricted contributions	0.2	0.4	0.2	0.5	0.5
<b>Total Flow Through Contributions</b>	<b>\$ 11.5</b>	<b>\$ 7.8</b>	<b>\$ 9.8</b>	<b>\$ 13.8</b>	<b>\$ 16.3</b>

<sup>1</sup> Flow through contributions are not included. These funds pass through the Foundation for donor recognition, but are not reported as contributions in the financial statements.

<sup>2</sup> United States Financial Accounting Standards require minimum pension liability adjustments to be made when the fair value of retirement plan assets is less than the plan's accumulated benefit obligation. The minimum pension liability adjustment allocated to The Rotary Foundation by Rotary International was based on the Foundation's proportionate share of payroll expense.

<sup>3</sup> Certain reclassifications have been made to prior-year balances to conform with the 2004-05 presentations.

<sup>4</sup> Net assets are the difference between a company's total assets and its liabilities.

Information is taken from the Audited Financial Statements, which are available on RI's Web site, [www.rotary.org](http://www.rotary.org).



## The Rotary Foundation Trustees 2004-05

### First row (from left):

Bhichai Rattakul  
Carlo Ravizza, Chair  
Frank J. Devlyn, Vice Chair  
Luis Vicente Gay

### Second row:

Ed Futa, General Secretary  
Fumio Tamamura  
Gary C.K. Huang  
Kalyan Banerjee  
Dong Kurn Lee

### Third row:

Robert S. Scott  
Mark Daniel Maloney  
Ray Klinginsmith  
Jayantilal K. Chande  
Theodore D. Griley II  
Michael W. Abdalla  
Rudolf Hörndler



## Rotary Foundation Milestones

- 2005 Health, Hunger and Humanity (3-H) Grants program and annual Group Study Exchange program reinstated. Matching Grants budget largest ever. Solidarity in South Asia Fund established to aid tsunami disaster survivors. Record Annual Programs Fund contributions total US\$84.7 million, following launch of Every Rotarian, Every Year initiative. The Arch C. Klumph Society, named in honor of the Foundation's founder, established to recognize donors of US\$250,000 or more.
- 2004 20,000th Matching Grant awarded. First class of Rotary World Peace Scholars graduates. PolioPlus Partners program relaunched. Children's Fund established within the Permanent Fund. Record support for Annual Programs Fund achieved, with more than US\$70,350,000 in contributions received.
- 2003 Rotary concludes one-year polio eradication fundraising campaign to help ensure support for achieving a polio-free world, raising US\$123 million and surpassing \$80 million goal. District Simplified Grants and Individual Grants programs established.
- 2002 European region declared polio-free. First class of Rotary World Peace Scholars begins studies. The Rotary Foundation receives US\$1 million Gates Award for Global Health from the Bill & Melinda Gates Foundation.
- 2001 First awards made from Scholarships Fund Pool for Low-Income Countries.
- 2000 Western Pacific region declared polio-free. Nearly two billion children immunized against polio since the Global Polio Eradication Initiative began in 1988.
- 1999 10,000th Matching Grant awarded. Rotary Centers for International Studies in peace and conflict resolution established.
- 1998 Total contributions to the Foundation since inception surpass US\$1 billion.
- 1996 Foundation contributors number one million. Permanent Fund Initiative begins.
- 1994 Western Hemisphere declared polio-free.
- 1993 500 millionth child immunized against polio, thanks to the Global Polio Eradication Initiative.
- 1988 The World Health Assembly sets the goal of eradicating polio worldwide.
- 1985 PolioPlus program launched. The program represents the first and largest internationally coordinated private-sector support of a public health initiative.
- 1981 Rotary Endowment for World Understanding and Peace established.
- 1978 Health, Hunger and Humanity (3-H) Grants program created.
- 1965 Special Grants (later called Matching Grants) and Group Study Exchange programs established.
- 1957 Paul Harris Fellow Recognition begins.
- 1947 RI founder Paul Harris dies. In his memory, Rotarians worldwide give the Foundation more than US\$1 million. First Foundation program launched, international scholarships for 18 graduate students.
- 1930 First Rotary Foundation grant awarded, US\$500 to International Society for Crippled Children.
- 1928 The Rotary Foundation formally named, first Trustees appointed.
- 1917 The Rotary Foundation established as an endowment by RI President Arch C. Klumph. First Foundation contribution received, US\$26.50 from the Rotary Club of Kansas City, Missouri, USA.





**The Rotary Foundation  
of Rotary International**

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