

Ten things to know about the new Rotary Foundation funding model

I've been very involved in the development of our Foundation's new funding model and have closely followed the questions being raised about it in social media and elsewhere. The new funding model for The Rotary Foundation was developed because our ability to continue "doing good in the world" depends heavily on the Foundation having long-term financial stability. In the interests of improved communication and understanding of the changes, here are 10 important things to know about the new model, which becomes effective on 1 July 2015.

1. Rotarians and clubs will benefit

Rotary's strength lies in the talents and dedication of its members and clubs. The recent recession showed that we must have adequate reserves in our Rotary Foundation to ensure that we don't have to cut programs and services in times of poor investment returns, and the increased volatility in financial markets emphasized the need for an adequate level of reserves. The new funding model is necessary to ensure resources are available to support the work of Rotarians now and in the future. The Foundation's current policy is to maintain an operating reserve equal to three years' worth of operating expenses.

2. PolioPlus Fund contributions are not affected in any way

3. Endowment Fund Contributions are not affected in any way

4. District Designated Funds are not affected in any way

5. Five percent of Annual Fund contributions are set aside from the World Fund

After Annual Fund contributions are invested, 50% will continue to go to District Designated Funds (DDF) and 50% to the World Fund. The 5% being set aside to help pay for the Foundation's operating expenses will come from the World Fund, but will only be used if needed to pay those expenses or to fully fund the operating reserve. If they are not needed for those purposes, they may remain in the World Fund for grants.

6. Five percent of cash contributions for global grants set aside

Under the current system, cash contributed in support of a grant by clubs and districts requires administration, but provides no investment income to meet the cost of that administration, because the funds are not retained by the Foundation for any length of time and therefore do not generate investment income. The 5% set aside from cash contributions for global grants will help pay the costs of processing, etc. It is not uncommon for many clubs to support a single global grant, and some clubs include payments from many members, thus requiring donor recognition to be processed for each contribution. Cash may also need to be converted into one of the 28 official Rotary currencies and then transferred to an international bank account for the project to be implemented.

7. Up to 10% of corporate gifts set aside

Using up to 10% of large corporate contributions for operating expenses is a well-accepted practice among donors to charities. By obtaining such gifts, the Foundation can increase support for the projects in our areas of focus. Our polio eradication efforts, for example, have benefitted greatly from the Bill & Melinda Gates Foundation's support. Up to 10% of these gifts will contribute to our administration costs, thus leaving more funds to support the grants for clubs and districts.

8. A communication plan is in place

The Trustees recognize that open, clear communication fosters Rotarians' continued support of, and active involvement in, Foundation programs. The first step in the funding model communication plan was an announcement on rotary.org with a link to *Securing Our Foundation's Future*. Watch for more information in Rotary media, coming soon.

9. Training and resources are being developed

Training manuals for officers and committees at the district and club levels are being updated, and webinars and e-learning modules are being developed. For details, contact fundingmodel@rotary.org.

10. The Foundation has a record of financial stewardship and transparency

Our Foundation has consistently earned high ratings for sound fiscal management from Charity Navigator and other agencies. Find more on Foundation finances and ratings.

Questions or comments? Please, contact fundingmodel@rotary.org.

I hope you will continue to make our Foundation one of your preferred charities. Every contribution is important and deeply appreciated. The projects and work we accomplish together as Rotarians are life changing.

By Ian Riseley, Rotary Foundation Trustee, Foundation Finance Committee chair
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