



The Second Wind Foundation
Annual Report 2011
March 2012



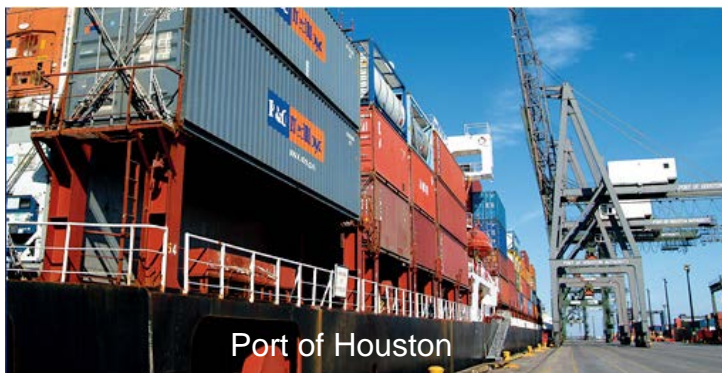
The Rotary Club of Islamabad Margala
and the Hashoo Foundation are our
Distributors for Northern Pakistan



Annual Report The Second Wind Foundation 2011

1.0 Overview

The Second Wind Foundation continued its growth in 2011. We opened contributions in the Northwest, USA. We extended collections in every region of the country where we have operations. We have a volunteer Ambassadorial Scholar who wishes to open up the Carolinas with a collection facility in Charleston which is an active port on the East Coast and possible additional shipping point. Most importantly we extended our distribution network. For the past several years, our primary problem besides funding has been our collection of books has exceeded our distribution. 2011 brought additional distributors on line allowing us to reach equilibrium between collections and distributions.



However, the project successes came at a price. Our costs increased by about \$100,000 while we only sent one container more in 2011 than we did in 2010. However, in 2010 we off loaded our excess inventory on our distributors instead of storing it at TransGulf Transportation.

2011 saw our distributors able to place books with a wider group of schools thanks to the participation of several Ministers of Education. The operation of the Swaziland Distribution Center and the additional Centers in Cape Town account for the increase in distribution.

The natural disasters in Japan and around the world in 2011 drove the price of containers and shipments (Fuel Costs) to new heights. Container costs doubled. We ended the year with a cumulative total of 5.5 million pounds of books in 150 containers. We shipped 26 containers to six different countries with over a million pounds of books. That's the good news. The bad news is it cost Second Wind \$267,000 to make the shipments. However, \$15,000 of the \$267,000 went to providing libraries at schools in Swaziland through the Rotary Club of Manzini. Second Wind received \$254,000 in funding in 2011.



The focus for 2012 has to be on locating additional funding sources. We are budgeting about \$340,000 for operations in 2012 (see Appendix A) which should be coupled with a matching revenue stream if we are to maintain our reserve funds.

2.0 Financial Status

2.1 Overview - Our finances for 2011 show an expenditure of \$267,598.20 and an income of \$254,231.86 which means that we spent about \$13,000 more than we took in. Our inventory at the end of the year was 2 loaded containers at Trans Gulf Transportation and 364 English language pallets plus 28 Spanish language pallets in the warehouse.

2.2 Asset Sales - To meet our needs in 2011, it was necessary to sell 1000 shares of the Johnson and Johnson common stock endowing Second Wind. The stock sales yielded \$63,536.72.

2.3 Major Gifts - We received major gifts from individuals in the amounts of \$50,000, \$10,000 (2), \$5,000 (3), and \$1,000. We received \$45,000 of a \$90,000 grant for the conversion of containers into libraries.

2.4 Dividends - The dividends from the stock holdings accounted for \$33,183 of income.

2.5 Rotary Clubs - The basic support of our continuing Rotary Club partners was significant also.

2.6 Madison Breakfast - We should mention the outstanding job the Madison Breakfast Rotary Club has done in raising funds to support their operations and transport. They received a matching grant from the Rotary Foundation and from several corporate and family foundations. All benefited the Second Wind Foundation.

2.7 Grants in Work

2.7.1 Central New York – The central New York Rotary districts are working on a \$21,000 grant from the Rotary Foundation with the Rotary Club of Newlands, District 9350, South Africa for 2012.

2.7.2 Texas – We hope to apply for a Global Grant between Rotary Districts 5890 and 9400 in 2012. However, we are late in the cycle to be applying and may not be able to receive a grant.

2.8 Assets - Second Wind held 14,000 shares of Johnson and Johnson common stock at the end of 2011. The valuation of the stock

at that time was \$906,080. We try not to sell this asset so that as much as possible it remains the core value of the foundation.

2.9 Grants (Non Rotary) – Second Wind received a \$90,000 grant from the AALL Foundation in the Cayman Islands for libraries at schools where they had provided water wells. To date, only \$45,000 of the funds has been transferred to Second Wind. \$15,000 was transferred to the Rotary Club of Manzini for libraries from containers. The Rotary Club of Louis Trichardt has been identified as the recipient of another \$15,000 to be paid in 2012.

We have made application to the Michael Dell Foundation for a grant to ship books. The application is still pending. In 2012 we will continue to make application for grants to continue the expansion our operations.

We have also made application to the Rotary Foundation for a \$25,000 grant from a Donor Advised Fund.

3.0 Expansions

We have several expansions of the project in the works at the end Of 2011. The paragraphs below detail those sites under discussion. The reader should realize that not every potential site is viable or sustainable. Second Wind tends to try an initial container to verify the operations ability to execute the project without paying any graft to customs officials or any other support activities.

3.1 Latin America

For two years we have had a lady from Guyana asking for books. We have not been successful in getting her to link up with the local Rotary Club. Late in 2011, she started the link up process. We expect that in early 2012 she will complete the process. She has been very persistent.

Honduras may be another site where we could effectively see a distribution site developed. While Belize is an English speaking country, it is in the general area of Latin American countries. So far it has proven too small to handle the volume of books we send.

3.2 South Pacific

At the request of the RI President, we have been involved in arranging for some medical equipment for a hospital on Vanuatu. Years ago, Books for the World sent nursing books to the hospital. We would like to send another load of medical books with the medical equipment shipment.

In addition, we have started a conversation with Rotarians in Australia and Papua New Guinea about a distribution center in Lea, Papua New Guinea. The Australians ship books to Lea from time to time and have the import routine working. They have volunteered to help us when we are ready to start. This is a contact through our Wisconsin affiliate.

3.3 India

We encountered a problem in shipping to India this last year. It involved a customs agent demanding a “tariff” on used books from the Rotary Club. Please see Paragraph 3.3.2 for details of the situation. We need to resume shipments to India. The concept of village libraries is a definite need and a good use of our books.

3.3.1 Eastern India

In 2010 we shipped a container to Chennai as part of a 5890 Group Study Exchange. The books were received and distributed. However, they did not have a distribution center or facility setup. We have not shipped more containers to them yet. They may be another location which could effectively distribute books.

3.3.2 Western India



Our second shipment to the Pune Province was tagged with a \$1000 duty on used books. Note that two previous shipments had been received without duty. In addition this customs agent tagged the Rotary Club with an additional \$1000 to get the container out of customs impound.

The club appealed to no avail. They paid the money but suspended the effort.

We have explored potential solutions. Both the RI President and the Rotary Foundation trustee from that region of India have offered assistance. They advise shipping to a different district through a different port. Apparently, the practice of charging tariffs on the whim of the customs agents is a common practice in India.

3.4 Middle East

We never know where a request will come from or where the need will manifest itself next. With the Muslim Spring in the North African countries, we did not expect opportunity to develop in the Middle East. There certainly is a need for literacy, basic education, and commerce.

3.4.1 Lebanon

A Rotarian friend who we had met in Cairo at conferences emailed looking for support of the development of libraries by the Rotary Club of Beirut Cedars. After an exchange of emails, we will be supplying books to the Rotary Club in 2012 to furnish the libraries.

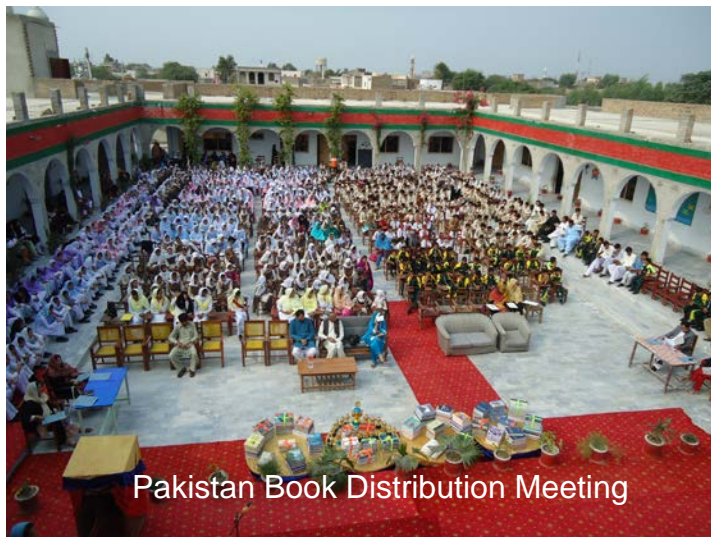
3.4.2 Romania

Our Los Angeles affiliate has a Rotarian working with it who is supporting schools in Romania. They are interested in getting books for their schools and villages. This may or may not develop in 2012 but is an opportunity for us to keep in mind for future expansion.

3.5 Western Asia

The needs for education are apparent in both western and central Asia. These mountainous regions are both beautiful and poverty stricken which promotes the level of violence we see now. We don't know if we can make a difference but we would not be doing our duty if we did not try.

3.5.1 Pakistan



Despite the reports of anti-American spirit in Pakistan, our books seem to be receiving a warm welcome. The picture is of our books at a distribution ceremony. They are finding their way into the north of the country and around Islamabad. We have received a distribution report and now have a full report with

pictures and a request to send a second container.

3.5.2 Afghanistan

Afghanistan is a developing story for us. Unrest in late February 2012 may affect our ability to bring this distribution on-line. The target city is Herat via Bagram Air Base. Madison is preparing a pallet of children's books and a pallet of university books from the University of Wisconsin to be flown from the military side of Madison's airport to Bagram.

4 Process Upgrades

We are hoping to upgrade our packing and labeling processes throughout the system so we can better load containers for a targeted need. Madison and Central New York do an excellent job of preparing their shipments. The Dallas area shipments are also well prepared most of the time.

Madison uses United Way volunteers to sort and pack their pallets. They have an instructional video on "How to ..." which is available on-line to train the volunteers before they arrive to work.

Our target is to scan the ISBN code on the book and tie the book to a box and a pallet. If we can reach that target then we can accurately determine the content of a shipment and the value of the cargo.

5 Supply Line



Madison's Millionth Pound

We would like to be able to have a long haul trucking company volunteer to carry our loads without charge. Our current strategy is for each collection group to engage their own freight carrier to get the load to Houston. This strategy has worked effectively but each collection group has had to raise funds to pay the freight carrier. In every case the carrier has been cheaper than the rate

from UPS or other international carrier.

6 Shipping

Once again in 2011 Mediterranean Shipping Company provided two free containers and shipping to Durban. While the \$15,000-\$20,000 gift is appreciated, the Durban office always tries to charge extra for the container to

the receiving entity. In each case the extra charges have been waived but action from their headquarters has been required.

7 Distribution

Our primary focus in 2011 was to expand our distribution. Collections were robust in 2011 to the extent that we had 10 loaded containers in storage at Trans Gulf Transportation and another 10-12 container loads in the Exel warehouse. By the end of 2011 we had reduced the containers at Trans Gulf to two and the inventory at Exel to about eight container loads.

Appendix B shows the locations we now have agreements to ship to.

7.1 Johannesburg, South Africa

In 2011 we shipped 11 containers to Johannesburg. The first part of the year their distribution fell off. They felt the new distribution centers were addressing some of the needs they had been fulfilling. However, distribution picked up in the later part of the year as the Department of Education started advertising the availability of books at the center. We have been shipping 4 containers at a time this year. This practice has allowed us to drive the per container cost down some.

7.2 Capetown, South Africa



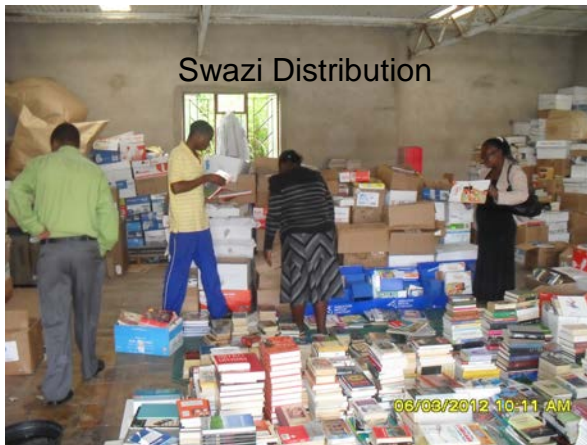
Capetown is expanding rapidly. 2011 saw us send 6 containers to the Rotary Club of the Newlands. They have requested at least 8 containers for 2012 and have been taking two containers at a time. Their primary distribution is to schools through their fellow Rotary Clubs. When a container arrives at least 400 schools are now been notified that a new shipment of books is available through networks that includes The Humanitarian Distribution Center of Cape Town.

Starting in 2012, The Humanitarian Distribution Center of Cape Town an NGO specifically established for the distribution of books as the

Johannesburg Center will also be distributing books endorsed by the Western Cape Education Department as a service provider. This is an exciting new thrust as they have negotiated storage space at the Pearson SA warehouse. We expect to ship 10 containers to this NGO in 2012.

Also in the Cape Town Rotary District is the Rotary Club of Walvis Bay, Namibia. We started shipment of books to Walvis Bay in 2011. It will probably take until 2013 before the word gets out that schools and libraries in Namibia can get books free in Walvis Bay. Only then will we find out the distribution potential of the country.

7.3 Manzini, Swaziland



Swaziland has been a real growth area for us in 2011. While it is extra expense to send the containers through Swazi customs, the need in a country which is essentially bankrupt is great. Both the Department of Education which is trying to bring free public education to grades 1-3 for the first time is in great need of materials. Swaziland is a rich agricultural region with great potential if they have an

educated work force.

The new distribution center now has shelving and a labor force of two workers supported by the Rotary Club of Manzini. They have been awarded a grant to convert two of the containers into libraries and have requested a grant to convert two more containers.

7.4 Other Shipments

Madison Breakfast has taken on the responsibility of establishing a distribution center in East London, South Africa. Either a center in East London or Port Elizabeth will serve a very needy region of the Eastern Cape and Free State Provinces of South Africa. By spreading the distribution centers over southern Africa we are making our operation less dependent on any one operation. Therefore assuring that we can move the donations to needy areas instead of having them stack up in the warehouse or at the collection points.

For Zambia, Malawi, and Zimbabwe, we believe they are still digesting the containers of books they received in 2010. It is not unusual for a Rotary Club to take a year or two to distribute their first container. It takes that long to get communications setup and for locals to believe that there are really free books available from Rotary.

We have sent another container to Ghana which reached our contact successfully this time. Shipping to West Africa has been difficult for us

because of our rule that we will not pay bribes. The container is a first for the former California and Houston area Rotarian and for the Rotary Club. Distribution has gone very well in spite of some disagreements and frustrations which are normal for the startup of a new distributor.

8 Fund Raising

This is our most difficult and critical area. At the burn rate of the project now we only have four or five years of operation and one of our primary donors has passed on. We need an effective grant production machine. We need to at least get \$100,000 to \$200,000 in grants per year to maintain the current level of product (educational materials) delivery we currently have. It is reasonable to assume that we can get half of the amount from the Rotary Foundation if each of our affiliates applies each year for a grant. To acquire that additional amounts we need to reach out to the foundations who focus on literacy and who need our "boots on the ground" to deliver the tools of education for those committed to teaching the needy.

9 Volunteers



We have a wonderful group of volunteers now. However, if we are successful in upgrading our packaging and labeling we will need a group of well trained volunteers which will volunteer at our collection sites on a regular basis. A mixture of all the models currently in use such as the Interactors in

Houston, the United Way in Madison, and Rotarians in other locations could yield the volunteer work force needed for the packaging and labeling effort.

10 Awards

We have Booklegger pins to recognize significant contributions to the project. However, we have not totally used them to acknowledge the contribution of our volunteers. Perhaps this should be an addition to our recognition program. We are also using plaques to recognize major donors to the foundation. We have been designating major donors at the \$10,000 or equivalent donation-in-kind level.

11 Summary

While 2011 saw us double the cost of project while delivering about the same level of product, we have significantly expanded our base of distribution. We are expecting the cost of shipping to Cape Town to be the same or less than the cost of shipping to Durban (Johannesburg). We also expect that distribution in Cape Town will exceed the levels in Johannesburg by 2014. If we can get a strong distribution facility in East London/Port Elizabeth and in Durban then we will have South Africa covered well.

The AALL Foundation grant for placing container libraries at schools is another potential product line for Second Wind. Early budgetary numbers indicate the conversion costs at between \$6,000 and \$8,000 per container which include painting windows, door, and shelving. This means a library structure can be in place for less than \$10,000 each.

Finally, we have many challenges but the rewards are great. We have proof that we are providing the tools for local educators to change the lives and future of their youth. Change can best be achieved from within when people have the motivation and tools to affect change. We are providing the tools.

Appendix A
Second Wind Budget
2012

Income		Amount		
Dividends		\$30,800.00		
Grant from the Rotary Foundation	February	\$25,000.00		
Grant 76619 - the Rotary Foundation	April	\$21,000.00		
Grant from the AALL Foundation	May	\$45,000.00		
Grant from the Rotary Foundation	August	\$25,000.00		
Major Gifts		\$45,000.00		
Stock Sale - 1000 shares	September	\$65,000.00		
Rotary Club contributions	10 clubs	\$33,500.00		
Individual Contributions		\$2,700.00		
Matching Contributions		\$16,000.00		
Grants from Rotary District funds		\$31,000.00		
Total Income		\$340,000.00		
Expense	Units	Amount		
Shipping - Johannesburg	12	\$45,600.00		
Shipping - Swaziland	6	\$46,800.00		
Shipping - Capetown	14	\$24,500.00		
Shipping - Islamabad	3	\$12,600.00		
Shipping - East London/Port Elizabeth	1	\$2,000.00		
Shipping - Guyana	1	\$1,500.00		
Shipping - Walvis Bay	1	\$2,000.00		
Shipping - Ghana	1	\$1,800.00		
Shipping - Lebanon	1	\$2,800.00		
Subtotal Shipping			\$139,600.00	
Containers	40	\$136,000.00		
Container Conversions	5	\$35,000.00		
Subtotal Containers			\$171,000.00	
Transportation				
Chassis Maintenance	2	\$400.00		
Emergency Transports	3	\$15,600.00		
Scheduled Transports	8	\$6,000.00		
Forklift	1	\$4,000.00		
Fuel - Forklift		\$100.00		
Subtotal Transport			\$26,100.00	
Office Supplies				
Postage		\$300.00		
Brochures		\$500.00		
Display Replacement		\$800.00		
Meetings		\$1,200.00		
Website Rental & Maintenance		\$500.00		
Subtotal Office Supplies			\$3,300.00	
Total - All Expenses			\$340,000.00	

Appendix B – Distribution Centers

