

Treasurer's Report to the Convention

David D. Morgan, Treasurer, Rotary International

Chicago, Illinois, USA.

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I am greatly honored to serve as your treasurer during this centennial Rotary year, and in accordance with the provisions of the bylaws of Rotary International, I'm pleased to report to you, on the current state of Rotary International's finances.

My report will be in three parts, the results of the fiscal year ended 30 June 2004, the current position concerning this year's financial performance, and the financial outlook for the future.

All dollars refer to US dollars.

First, the results of fiscal year ended 30 June 2004. Revenues during this period totalled \$80.1 million – an increase of \$19.6 million over the previous year. This was due primarily to a record attendance at the Osaka Convention (\$11.3 million compared to \$2.7 million in fiscal year 2002-03), which generated a surplus of \$1.6 million, improved investment returns (\$8.3 million in fiscal 2003-04), and the fact that the triennial Council on Legislation (\$3.3 million) took place during this year.

In 2003-04, approximately 53 percent of our revenues, or \$41.9 million, came from membership dues. Services and other activities generated \$29.9 million—from publications (\$7.3 million), One Rotary Center (\$4.4 million), the international convention and meetings (\$11.4 million), the Council on Legislation (\$3.3 million) and licensing and other sources (\$3.5 million). Net investment return accounted for \$8.3 million in revenues.

In total, revenues exceeded the budget figure by \$8.8 million, primarily due to higher-than-budgeted investment income and higher-than-budgeted revenue from the convention.

Our expenditures during this fiscal year, totalled \$72.3 million, which were \$10.1 million more than that of the previous year but \$2.3 million below the budgeted figure.

These changes were largely due to the high RI Convention attendance (\$7.1 million more than the previous fiscal year), the Council on Legislation (\$3.3 million), and the continued efforts of all senior leaders, volunteers, management, and staff to control expenses (approximately \$4.7 million less than budgeted, offset by higher spending for the RI Convention).

In 2003-04, \$15.9 million was spent on the international convention and other meetings; \$11.9 million was spent on governance, which includes expenses for your district governors, officers, and directors; \$13.4 million went toward managing the RI Secretariat (including \$4.8 million for Information Services); \$11.3 million for producing publications; \$11.2 million for providing membership services (including \$5.6 million for the International Offices); \$5.3 million for One Rotary Center and \$3.3 million on the triennial Council on Legislation.

Our net assets at 30 June 2004 were \$96.2 million, an increase of \$9.7 million over and above those of the previous year, due to operating revenues exceeding operating expenditure (\$7.8 million) and a reduction to the liability associated with the U.S. pension plan (\$1.9 million).

I come now to the current status of fiscal year 2004-05.

The 2004 Council on Legislation approved a \$4 increase in per capita dues for fiscal year 2004-05 – the first increase in nine years. Accordingly, the Board of Directors revised the fiscal year 2004-05 budget, to reflect this increase and to restore service levels to clubs and districts and to resume key RI Secretariat projects previously deferred.

Revenues for the 10 months ended 30 April 2005 are \$3.8 million higher than the budget figure, due primarily to the favorable registration figures for this convention. Net investment returns are on budget.

Furthermore, all expense areas are under control and positive budget variances continue.

Assuming stability in the financial markets for the balance of this fiscal year, it appears that revenues will exceed expenditures for the full year and that it will therefore be unnecessary to access RI's reserves.

Finally, the financial outlook for the future. With the per capita dues increase and a return to normal spending following the centennial year, it has been possible to balance the budget for fiscal year 2005-06. In addition, the five-year financial forecast anticipates revenues exceeding expenditures through fiscal year 2008-09. This will enable RI to maintain its operating reserve at the required level.

I am therefore, pleased to report that Rotary International's financial position is strong and that with the restoration of normal investment returns and the approved per capita dues increase, Rotary International is financially well prepared to support its strategic vision as it enters its second century of service.

I wish to thank my fellow RI Board members for their full support, and I also thank the general secretary and all the staff involved in Rotary International's financial matters for their dedication and cooperation. I thank also the members of the RI Finance Committee for their very valuable advice and support.

Note: The audited financial statements for fiscal year 2003-04, including the auditor's report, and other financial information can be obtained at www.rotary.org or from the RI Secretariat.