

ITEM 11 – RI & TRF FIVE YEAR FORECAST



Joint Meeting of the RI & TRF Finance Committees
October 2017

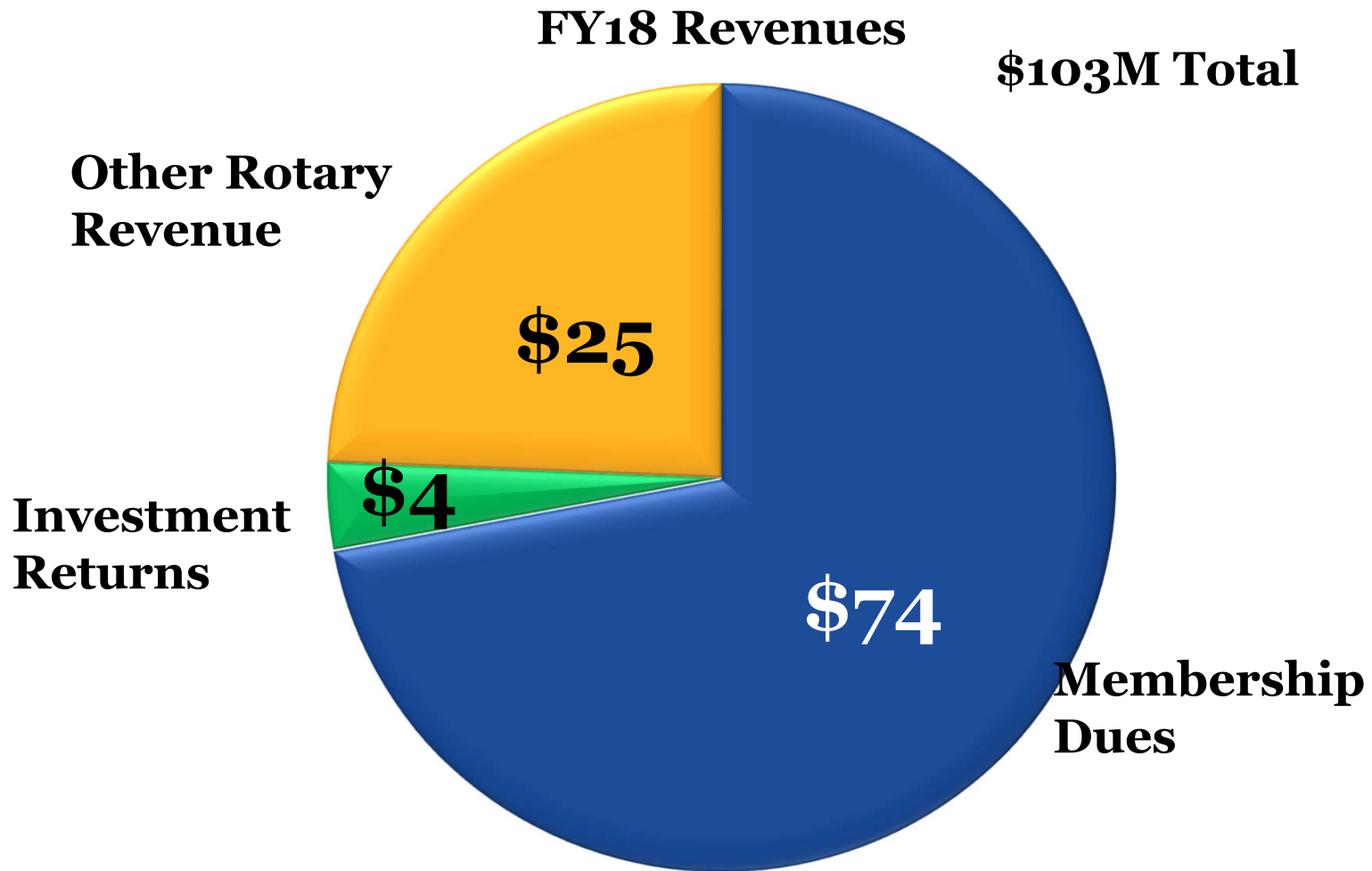


ROTARY INTERNATIONAL



FY2018 REVENUE BREAKDOWN

\$US millions

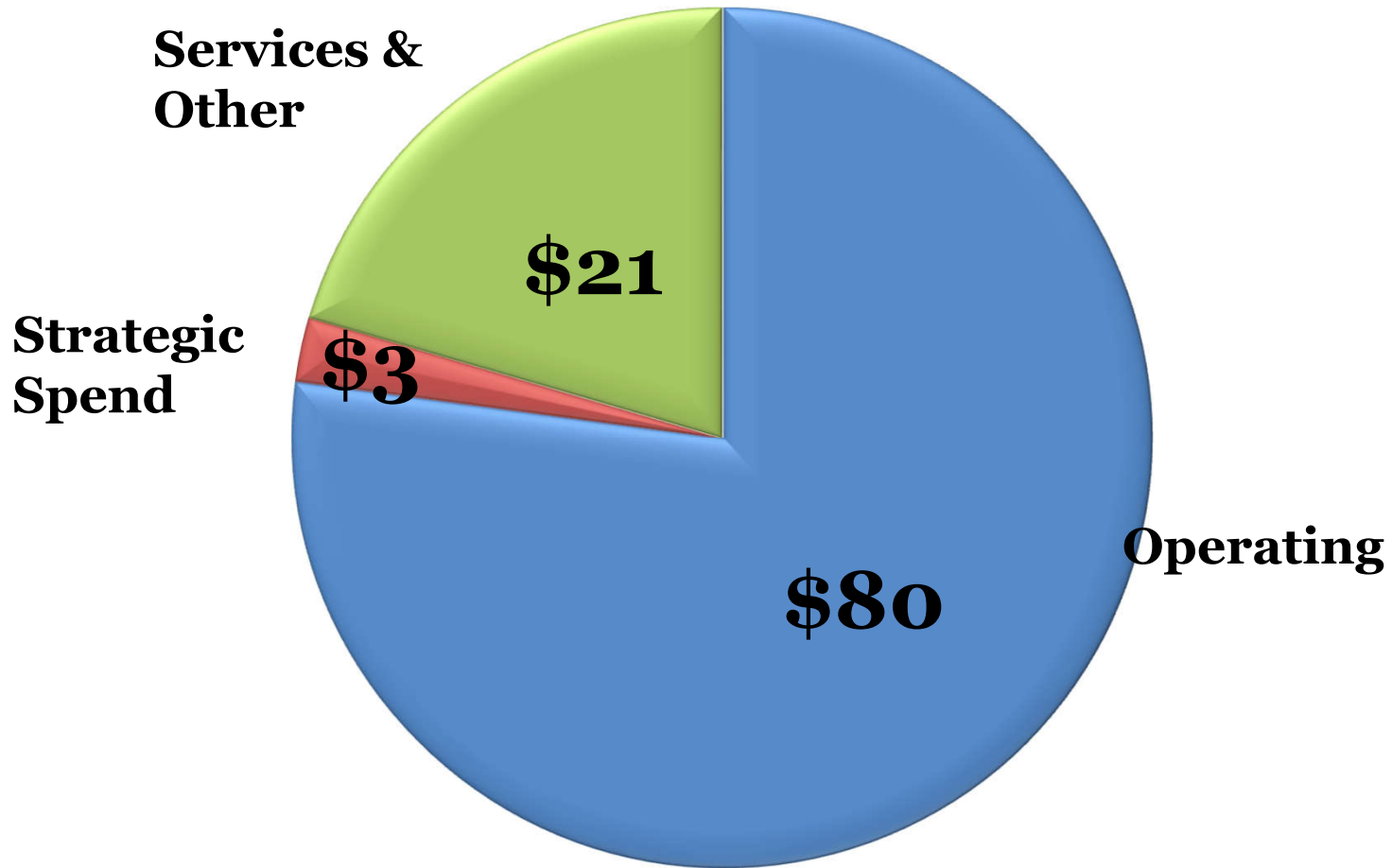


FY2018 EXPENSE BREAKDOWN

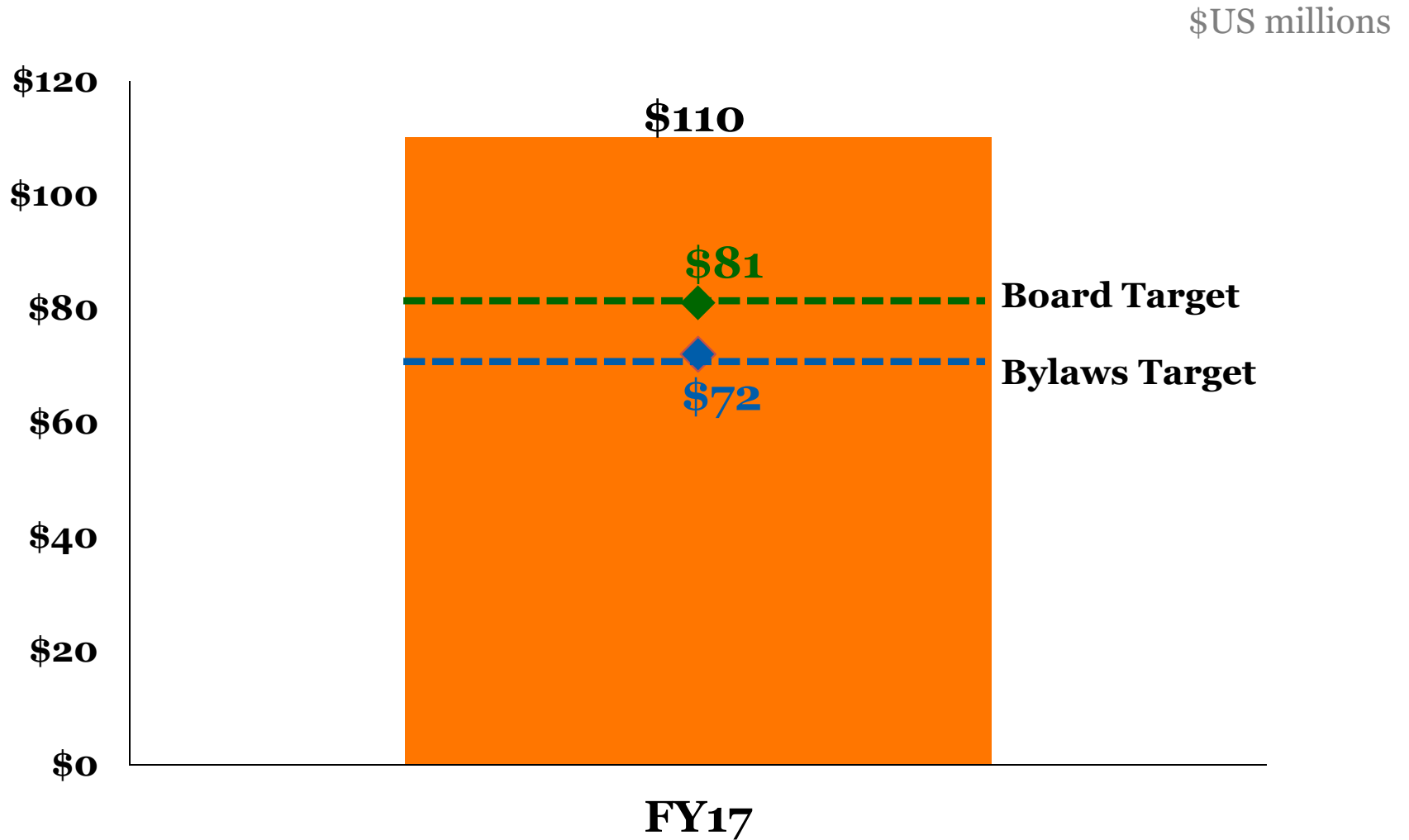
\$US millions

FY18 Expenses

\$104M Total



FY2017 GENERAL SURPLUS FUND



FIVE YEAR FORECAST VIDEO

- **Link to Five Year Forecast Video**
 - <https://vimeo.com/228973837>
 - Password: FYF2017



THE ROTARY FOUNDATION

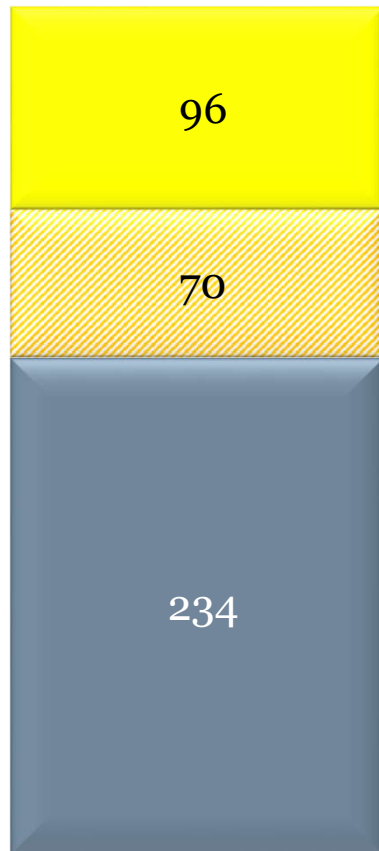


FY2017 FINANCIAL RESULTS

US\$ (millions)

REVENUES

\$400



EXPENSES

\$269

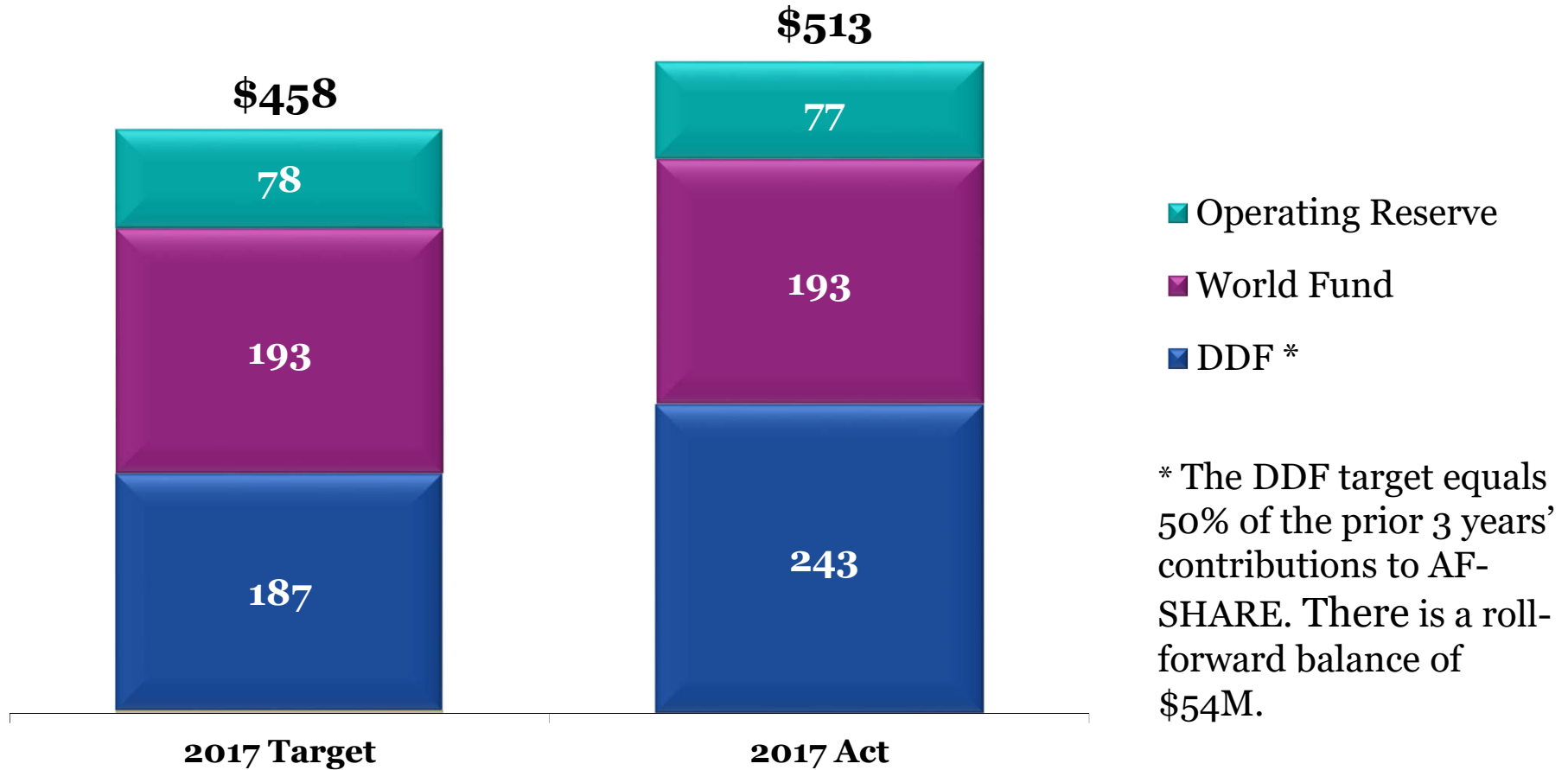


- Operations Expenses
- Program Operations
- PolioPlus-Gates
- Program Awards
- Net investment return & Other Income
- Gates Contributions
- Rotarian Contributions



TRF OPERATING RESERVES STATUS 30 JUNE 2017

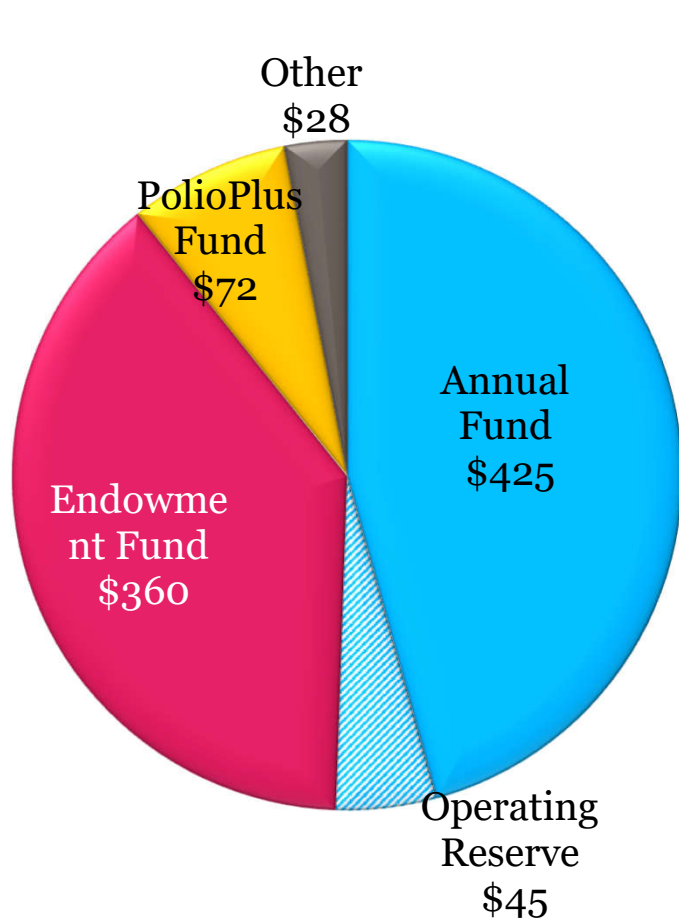
US\$ (millions)



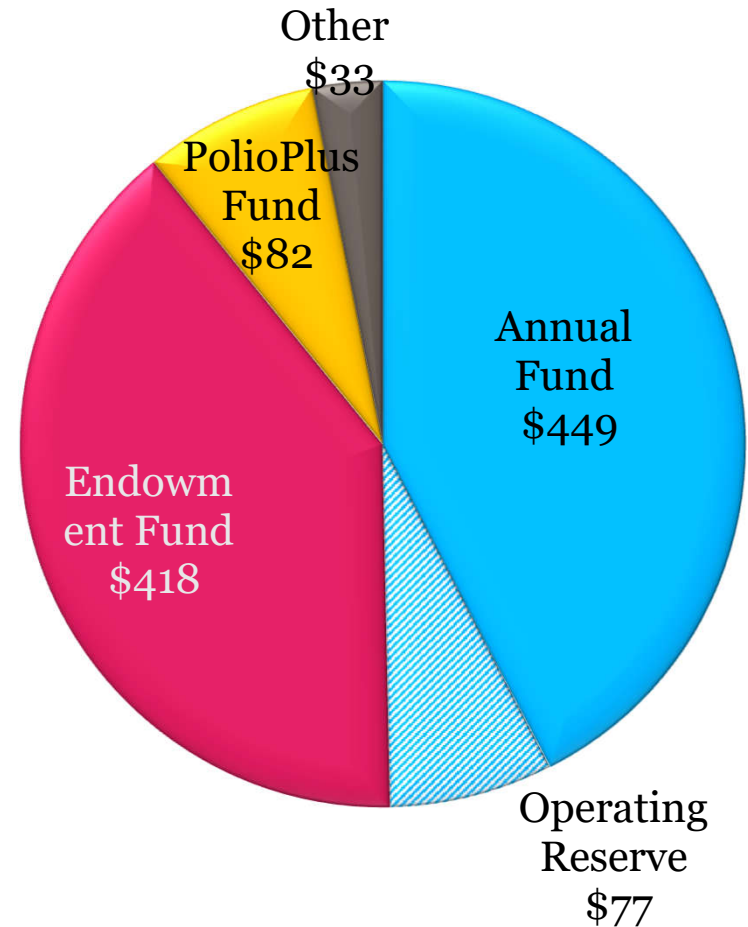
FOUNDATION NET ASSETS

US\$ (millions)

Net assets increased \$129M



30 June 2016
US\$930 Million



30 June 2017
US\$1.06 Billion



LOOKING FORWARD

- Actual FY2017 information delivered to TRF Finance Committee Trustees
- Trustee Chair Paul Netzel did not want to pursue a formal TRF Five Year Forecast at this time
- TRF Finance Committee Chair Sushil Gupta to further discuss with Trustee Chair Elect Ron Burton to determine if:
 - Actual information will be delivered to all Trustees with talking points in FY2018 for FY2019 institutes
 - Determine whether a formal forecasting process would be of benefit to TRF



APPENDIX 1: RI FIVE YEAR FORECAST VIDEO Q&A



RI FIVE YEAR FORECAST VIDEO Q&A

Question	Answer
Questions for Mikael & Lori's Dialogue	
What is meant by stewardship of Rotary's financial assets?	Rotary stewards its financial assets by ensuring that the money received from Rotarians is used for the purposes it was intended. Rotary has a rigorous process that includes by-laws, policies and procedures that limit how funds can be used. The Investment Committee ensures that funds received are invested in a way that ensures limited risk of loss. Additionally, Rotary has a process of budgeting and monthly reporting to the Directors that ensures there is timely, transparent communication to relevant decision makers.
What is being done to support, grow, and advance clubs in the areas of improved training, connecting to other clubs, planning resources, on-line tools, leadership development plans, and social media training?	Rotary provides a series of on-line tools – brochures and training from planning an effective club meeting to building a solid leadership team. Rotary Showcase allows clubs to tell their success stories and connect with other clubs who may have common interest. Rotary is continuing to create training modules and provide support to answer Rotarian requests.
Slide 3 – Surplus/Deficit Projections	
How is the surplus/deficit calculated each year?	It is our forecasted change in net assets each year. The surplus/deficit subtracts our forecasted expenses from our forecasted revenues.



RI FIVE YEAR FORECAST VIDEO Q&A (CONTINUED)

<p>When we have surplus revenues as indicated by the green bars, where does this money go? What specific projects and programs?</p>	<p>In year's when revenues exceed expenses, the surplus becomes part of the general surplus fund. The Board may choose to use the funds in future years to support initiatives like piloting a new club model.</p>
<p>Slide 4 – FY2022 General Surplus Fund</p>	
<p>What is the general surplus fund (GSF)?</p>	<p>The general surplus fund balance is our accumulated savings over time set aside for emergencies and important initiatives. The GSF is increased by the excess of revenues over expenses and decreased when expenses exceed revenues.</p>
<p>Why are there two targets? The by-law target and the Board target? What is the difference?</p>	<p>The by-law target is a requirement in our by-laws that we maintain reserves at least 85% of the highest level of expenses in the last three years. The Board target is more conservative as it takes the by-law target and increases it for reserves designated for other uses such as strategic initiatives, the convention reserve, and the investment reserve.</p>
<p>What do you consider when projecting the five year forecast? What are the critical assumptions?</p>	<p>The major assumptions are: membership trends, dues, inflation, net investment return, and expectations of operational expenses. These assumptions are determined by the Finance Committee and the Board. Factors considered in determining the assumptions include membership trends and initiatives, economic environment, and previous experience.</p>



RI FIVE YEAR FORECAST VIDEO Q&A (CONTINUED)

<p>What are some examples of Board decisions to fund future growth?</p>	<p>If we look at the 2018 budget, the Board has included funds to support the investigation of a new club model, development of a product delivery model and a new financial platform</p>
<p>4,000 members per year for the forecast, how does that compare with actual growth over the last 5 years?</p>	<p>The net increase/(decrease) in members over the last 5 years in thousands is: FY 2013 (17) decrease FY 2014 3 increase FY 2015 21 increase FY 2016 0 flat FY 2017 (1) decrease</p>
<p>Is the \$4 dues increase only for 2018 or will it be permanent?</p>	<p>At the 2016 Council on Legislation, delegates agreed on a \$4 dues increase in 2018, 2019 and 2020. In order for additional increases to occur they would have to be approved at the 2019 Council on Legislation.</p>
<p>If there is a surplus, will you give the money back?</p>	<p>No, money that is not used becomes part of the general surplus fund and can only be approved to be used by the Board of Directors.</p>
<p>How much money will be used to pay for technology infrastructure?</p>	<p>In FY 2018 we plan to spend \$15 million in Information Technology which includes equipment, software, depreciation of our technology, and staff.</p>

