

A guide to the updated Rotary Foundation funding model

The amount of money The Rotary Foundation has awarded annually in global grants has more than doubled since the grants were introduced: from \$47.3 million in 2013-14 to \$95.6 million in 2019-20. Yet demand for global grants is so high that it has outpaced Annual Fund contributions, which means that not all eligible global grant requests are able to receive funding.

To ensure that the Foundation can fund as many global grants as possible in the future, the Trustees of The Rotary Foundation have approved policy changes effective 1 July. The changes will have a big impact on the Foundation's ability to support more large-scale, sustainable projects for years to come. Read on to learn more.

OUR FUNDS: A GLOSSARY

Annual Fund-SHARE is the primary source of funding for a broad range of local and international Rotary Foundation activities. Every Rotarian, Every Year is the initiative to encourage support for the Foundation's Annual Fund. It encourages every Rotarian to contribute to the Annual Fund every year. Contributions to Annual Fund-SHARE from Rotary members and other donors are directed into two sub-funds: the World Fund and District Designated Funds. Through the SHARE system, contributions to The Rotary Foundation are transformed into grants.

The **World Fund** provides funding for our highest-priority activities around the globe. A percentage of SHARE-designated contributions is applied to the World Fund. The Foundation uses the World Fund to pay for grant and program opportunities available to all Rotary districts, including PolioPlus, Rotary Peace Centers,

Programs of Scale grants, global grants, and more.

District Designated Funds (DDF) can be used by districts to pay for Foundation, club, and district projects that a club and others in the district choose. Districts may use up to half of their DDF to fund district grants. The remainder may be used for global grants or donated to PolioPlus, the peace centers, or another district.

The **Endowment Fund**, financed by cash gifts and bequests left by Rotary members and their families, ensures the long-term viability of the Foundation and its grants and programs. Spendable earnings from the Endowment enable the Foundation to expand existing activities and underwrite new ones. Contributions are invested in perpetuity: A percentage of the total value of the fund is directed annually to Foundation grants and programs.

HOW THE MODEL WORKS

WHAT'S UNCHANGED

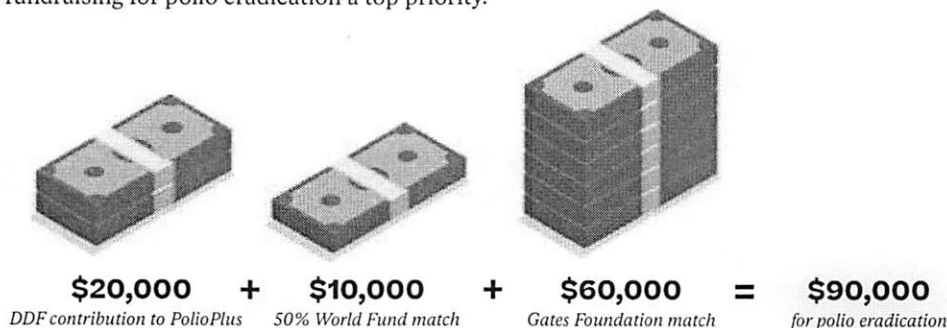
The Foundation's basic funding model will remain the same. All Annual Fund-SHARE contributions are invested for three years, after which they are split between DDF and the World Fund. Earnings from the invested funds will continue to pay many of the Foundation's operating expenses, which include fundraising and general administration. (A portion of investment earnings from the Endowment Fund, designated by the Trustees, also helps to pay operating expenses.)

WHAT'S CHANGING

50% match on DDF contributions to PolioPlus

DDF contributions to PolioPlus will now be matched by the World Fund at 50 percent rather than at 100 percent as in the past two years. This will allow \$5 million to be redirected each year, which could be used for other Foundation programs, including global grants. The Bill & Melinda Gates Foundation will continue to match 2-to-1 every dollar that Rotary commits to polio eradication, up to \$50 million per year. That makes it vital that we continue to make fundraising for polio eradication a top priority.

Example:



80% match on DDF applied to global grants

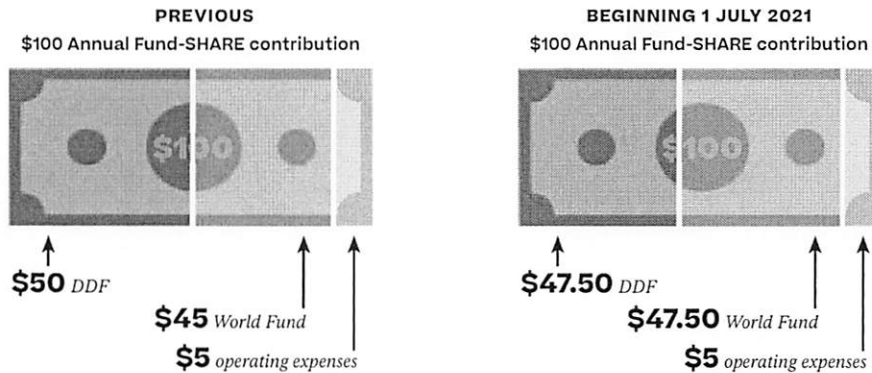
In recent years, the World Fund has been depleted before the Rotary year ends. Because of this, the Foundation has not been able to fund all the eligible global grant requests received. To allow greater participation in global grants, DDF applied to global grants will now be matched by the World Fund at 80 percent rather than at 100 percent as in the past. This change will enable us to fund more grants throughout the year.

Example:



Shared funding of operating expenses

Five percent of Annual Fund-SHARE contributions are used to cover Rotary Foundation operating expenses. Previously, 45 percent of the contributions were directed to the World Fund and 50 percent were directed to DDF. For Annual Fund-SHARE contributions received beginning on 1 July 2021 (and allocated beginning on 1 July 2024), the remaining 95 percent will be split equally between DDF and the World Fund.



Five-year limit on DDF rollover

Donors contribute to the Annual Fund with the expectation that these donations will be used to help communities in the near term. But the amount of DDF rolled over from one year to the next remains high. For example, on 1 July 2020, \$48.8 million in DDF was unused and rolled over from the preceding Rotary year.

Starting on 1 July 2026, and at the end of each Rotary year thereafter, DDF amounts that have been held for five years or more must be used. Unused DDF can be applied to the Disaster Response Fund, the Endowment Fund, PolioPlus, the Rotary Peace Centers, or the World Fund, at the district's discretion. If no fund is selected by the district, the rollover will default to the World Fund.

	2021-22	2022-23	2023-24	2024-25	2025-26
DDF new	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
DDF rollover	\$20,000	\$30,000	\$35,000	\$30,000	\$20,000
DDF spent	-\$40,000	-\$45,000	-\$55,000	-\$60,000	-\$65,000
Rollover remaining	\$20,000	\$20,000	\$15,000	\$5,000	\$0
	\$10,000	\$10,000	\$10,000	\$10,000	\$0
		\$5,000	\$5,000	\$5,000	\$5,000
			\$0	\$0	\$0
				\$0	\$0
					\$0
<i>Rollover amount remaining after</i>	<i>1 year</i>	<i>2 years</i>	<i>3 years</i>	<i>4 years</i>	<i>5 years</i>

Additional changes

The Foundation Trustees had already approved several other measures to increase global grant funding in 2020-21. Cost-saving measures such as reducing operating costs have enabled an additional \$4.4 million in global grants to be funded. And in January 2021, the Foundation Trustees and the RI Board of Directors transferred \$15 million from the Foundation's operating reserves and the RI budget surplus to the World Fund as a one-time measure to fund additional global grants in 2020-21. These two measures made nearly \$20 million more in funding available in 2020-21. Additionally, the match on cash contributions to grants was eliminated effective 1 July 2020, freeing up an expected \$7 million annually in the World Fund.