



Service in Action

THE ROTARY FOUNDATION  ANNUAL REPORT 2005-06

Front and inside front cover photos: The Rotary Foundation is on the front line of service in Niger — the poorest country in the world — helping to stop the endemic transmission of polio and providing Matching Grants to fund long-term, sustainable, humanitarian projects.

FRONT AND INSIDE FRONT COVER
PHOTOS BY ALYCE HENSON/RI



Our Mission

IMPROVING HEALTH, SUPPORTING EDUCATION, AND ALLEVIATING POVERTY

The Rotary Foundation helped Rotarians take action to meet a range of urgent needs in 2005-06. Foundation programs enabled Rotarians to provide food, clean water, health care, education, and a better standard of living to people in difficult circumstances around the world.

In the global drive to eradicate polio, PolioPlus helped reduce the number of polio-endemic countries from six to four. But its effects went even further, strengthening the health care infrastructure and boosting the world's capacity to combat other diseases such as measles, malaria, tuberculosis, HIV/AIDS, and avian influenza (bird flu).

Our Foundation's resources against poverty, hunger, disease, and illiteracy also regained strength with the reinstatement of Individual Grants as Volunteer Service Grants. In addition, many Health, Hunger and Humanity (3-H) Grants have been approved since the lifting of the moratorium on that program a year ago.

Rotary World Peace Fellows are becoming skilled in the art of conflict resolution. Graduates of the program are now working for international agencies and governments to help build bridges of peace and hope that link us all. You will read more about this and other educational programs in the pages of this report.

Our Foundation's programs are growing and benefiting even more people, because more Rotarians are giving to the Annual Programs Fund every year. Contributions to the Foundation totaled US\$111.9 million in 2005-06, and we celebrated the historic milestone of recognizing the one millionth Paul Harris Fellow.

I'm also happy to report that more clubs are seeking Foundation recognition banners for their status as Rotary Foundation Sustaining Member Clubs and Every Rotarian, Every Year Clubs, as well as for 100% Paul Harris Fellow Clubs. In addition, Paul Harris Societies became an official recognition program and now number more than 100, including the entire country of Japan. More Rotarians are also becoming Major Donors and members of the Bequest Society in support of the Foundation's Permanent Fund.

We give to the Foundation out of our love for the work that it does in helping people to better their lives. But we also give because we know that our Foundation stands behind Rotarian ethics of honesty, responsibility, and trustworthiness. We know that money entrusted to the Foundation will bring help and hope to those who need it most.



Rotary Foundation Trustee Chair Frank J. Devlyn

The Rotary Foundation has grown and thrived by adapting to changing times in a changing world. The Foundation's Future Vision Committee is looking at the coming decades to make sure that the Foundation takes action to effectively meet people's needs. To keep our Foundation moving forward, we must bring more quality people into Rotary, with every Rotarian giving to the Foundation every year. By applying the four Ts — our thinking, talents, time, and treasure — we can continue helping our Foundation carry out its mission of improving health, supporting education, and alleviating poverty in the world.

Frank J. Devlyn
2005-06 Chair
The Rotary Foundation Trustees

PolioPlus

TAKING ACTION TO FINISH OFF POLIO

Only four polio-endemic countries remain

The number of polio-endemic countries fell to an all-time low, with the halt of indigenous polio transmission in Egypt and Niger. That leaves only Afghanistan, India, Nigeria, and Pakistan on the list of countries where indigenous polio remains.

"Polio has been endemic in our country for all of recorded history," said Egyptian Health Minister Hatem Mostafa El-Gabaly. "The best tools of our age finally defeated this enemy, who has been with us from pharaonic times."

"This is the latest milestone in our progress toward the ultimate goal — a polio-free world," said RI Director-Elect Örsçelik Balkan of Turkey, who addressed a celebration of Egypt's success sponsored by the World Health Organization (WHO) in Cairo in March. "By the time victory is achieved

and polio is totally eradicated, Rotarians will have contributed nearly us\$650 million and countless volunteers to the cause."

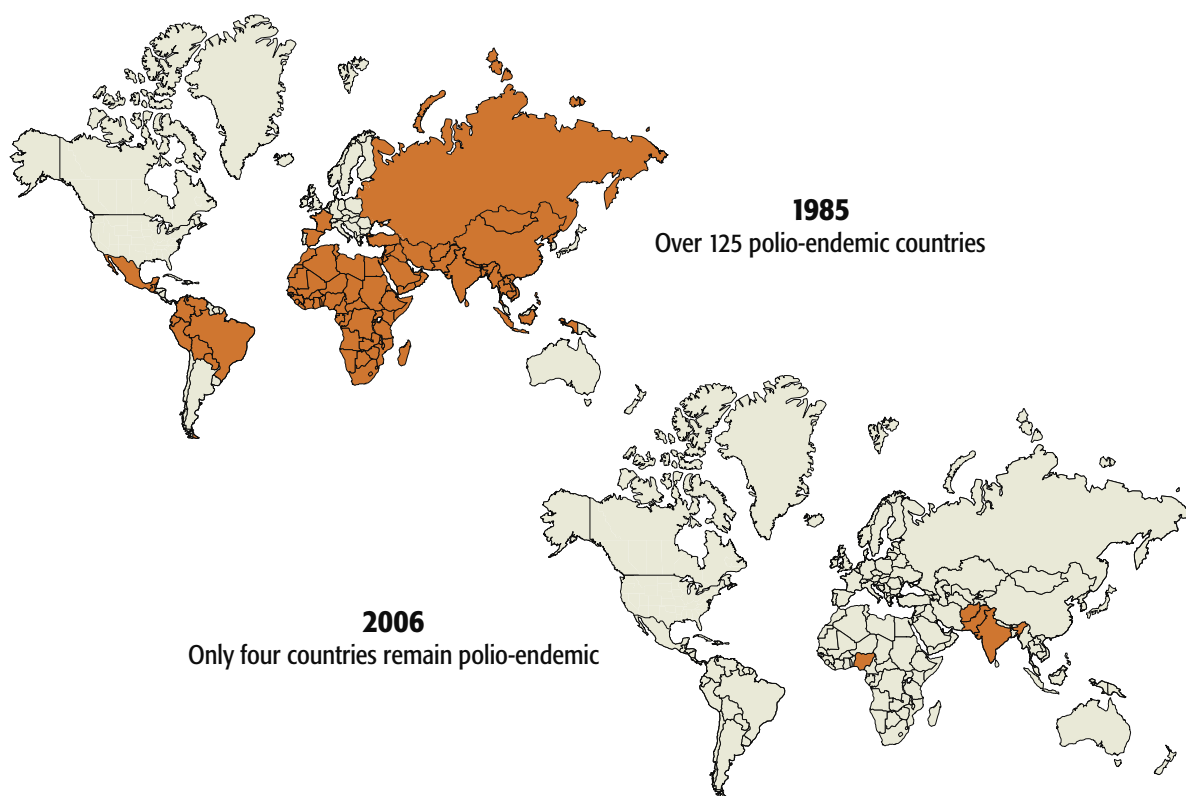
Led by WHO, Rotary International, UNICEF, and the U.S. Centers for Disease Control and Prevention, the Global Polio Eradication Initiative accelerated in Egypt, Niger, and elsewhere due to the use of new monovalent vaccines that attack polioviruses with much greater strength than the earlier vaccine.

"This is a major advancement," said Dr. R. Bruce Aylward, WHO's head of polio eradication efforts. "For three years, we have been stuck at six countries. It's a lot harder to knock out these last reservoirs of polio than to stop it in countries that have imported cases."



JEAN-MARC GIBOUX

A volunteer administers polio vaccine to a child in Afghanistan, one of just four countries where the disease remains endemic.



Progress 1985-2006

SOURCE: WORLD HEALTH ORGANIZATION

The 'Plus' tackles other threats to public health

PolioPlus is not only closing in on the last reservoirs of a crippling disease but also aiding rapid responses to health emergencies and natural disasters. The "Plus" in PolioPlus — the polio eradication infrastructure substantially funded by The Rotary Foundation — has helped make possible these health initiatives:

- A global surveillance network of 145 laboratories and thousands of health clinics and outposts, developed to detect and report polio cases, now also serves as an early warning system to combat measles, tetanus, cholera, Ebola, SARS, avian flu, and other diseases.
- Nigeria began conducting Immunization Plus Days in its high-risk northern states in late May, vaccinating children against polio, measles, diphtheria, and other diseases. Doses of vitamin A were also provided to encourage more parents to bring their children to immunization sites.
- After a major earthquake struck Pakistan in October 2005, a polio eradication team of more than 50 epidemiologists and surveillance officers rescued survivors, provided emergency relief and first aid, and organized immunization against polio, measles, and tetanus.
- About one-third of sub-Saharan Africa's cold chain system that supported polio eradication now also stores vaccines to fight measles, tetanus, diphtheria, and other diseases. Rotarians worldwide have supplied cold chain equipment through PolioPlus Partners; those in polio-endemic countries help maintain the systems.
- In Niger, health workers delivered mosquito nets during National Immunization Days in 2005 to prevent outbreaks of malaria.
- In Asia, health care workers controlled a recent SARS outbreak using genetic sequencing methods developed to identify and locate the source of polioviruses.

"The legacy of PolioPlus will go well beyond the eradication of one of the most devastating diseases known to mankind," said Dr. R. Bruce Aylward of WHO. "It will also leave behind stronger health systems in some of the poorest countries in the world, enabling them to tackle other important health threats, particularly in the area of immunizations and communicable disease."

POLIOPLUS PARTNERS CONTINUES TO PROVIDE ESSENTIAL POLIO ERADICATION TOOLS

In 2005-06, Rotarians contributed an estimated us\$3.2 million to PolioPlus Partners projects, including nearly \$2.7 million through the PolioPlus Partners DDF (District Designated Fund) Urgent Appeal. These funds helped respond to requests from 14 polio-endemic, reinfected, and high-risk countries for items such as:

Volunteers like this one support polio eradication in West Africa by transporting vaccine in cold-insulated carriers that are provided through PolioPlus Partners.



- › Vaccine carriers, refrigerators, and freezers to keep vaccine at the appropriate temperature
- › Bicycles, mopeds, outboard motors, and fuel to transport vaccine to where needed over any type of terrain
- › Posters, banners, billboards, and megaphones to inform communities about upcoming immunization activities
- › T-shirts, caps, and aprons to easily identify health workers and volunteers to parents

'Towering force' for polio eradication honored

On 30 June, William Sergeant retired as chair of the International PolioPlus Committee (IPPC) after 12 years in that key post. One month earlier, the World Health Organization recognized Sergeant with a special citation at the World Health Assembly for his leadership in the global polio eradication effort.

Dr. David Heymann, the WHO director-general's representative for polio eradication, called Sergeant "a towering force and a legend in global polio eradication. . . . With Bill's guidance, this partnership has set the gold standard for private-public partnerships to improve global public health. . . . [His] leadership has brought us closer to the reality of a polio-free world, and improved the lives and futures of millions of children."

In accepting the award, Sergeant said that he was honored "in being recognized for a labor of love" and thanked "the members of the World Health Assembly for your courage and devotion to the goal of polio eradication."

In a Congressional Record statement recognizing Sergeant, presented in April before the U.S. House of Representatives, William Jenkins (R-Tennessee) said, "During his tenure as chairman [of the IPPC], three regions of the world have been certified polio-free and only four countries remain with endemic transmission of polio. Bill Sergeant has demonstrated . . . that one man can make the world a better place through commitment, determination, and a great deal of heart."

Sergeant also received the 2006 Fries Prize for Improving Health, in recognition of his long-standing commitment to achieving the goal of a polio-free world for all children.

A member of the Rotary Club of Oak Ridge, Tennessee, for more than 50 years, Sergeant has served as vice president and director of RI and trustee of The Rotary Foundation.

"I was totally shocked," Sergeant said later at the RI Convention in Copenhagen, Denmark (of receiving the WHO award). "They said wonderful words about me, but it was not just for me, it was for Rotarians."

Bill Sergeant (center) receives a special citation from WHO's Dr. David Heymann (right) and Dr. R. Bruce Aylward.



Humanitarian Grants Programs

TAKING ACTION TO MEET A MULTITUDE OF HUMAN NEEDS



Cambodians gather around the first pump ever to bring clean water to their village.

One grant helps improve quality of life in seven countries

A clean water project is spelling both relief from constant illness and a better education for residents of Phreakochas Village in Cambodia. Sponsored by the Rotary Club of Teton Valley, Wyoming, USA, and the nonprofit Trailblazer Foundation, aided by a District Simplified Grant, the project provided three wells and two toilets benefiting 215 families.

“Over 80 percent of the village is illiterate,” wrote Teton Valley Rotarian Pat Butts in a project report. “With these facilities, the community can now begin building their school [for up to] 500 children, giving them their first opportunity for an education. A dependable water supply and sanitation will profoundly [and] dramatically change the quality of life of these children and all the people of the village.”

The project was part of a larger US\$19,987 District Simplified Grant effort carried out by U.S. District 5440. Among the benefits to people in seven countries, the wide-ranging effort provided

- › Neonatal equipment, supplies, and training for a hospital serving 100,000 people in Dorihoi, Romania
- › An ambulance equipped as a mobile pap smear clinic serving rural villages near Veracruz, Mexico
- › Hearing examinations for 150 patients, solar hearing aids for five patients, and funding for an immunization program for children and pregnant women in La Labor, Guatemala
- › Scholarships and supplies for 20 HIV/AIDS orphans to attend school in Bukoba, Tanzania
- › Textbooks and seminars for two university teachers to improve English language instruction at Saratov State University in Saratov, Russia
- › Study books to teach English as a second language to adults at a mobile home park in Poudre Valley, Colorado, USA



Past District Governor Ravi Vadlamani distributes protective eyeglasses to a patient recovering from cataract surgery.

Eye camp helps disadvantaged realize their life's vision

Poor, sight-impaired residents of Duggirala, India, never imagined receiving intraocular lens (IOL) surgery to rescue them from blindness — until Rotarians of that community and Palermo, Italy, stepped in.

The Rotary clubs of Duggirala and Palermo-Ovest launched a us\$5,000 Rotary Foundation Matching Grant project to provide eye screenings to nearly 1,500 Duggirala-area residents free of charge. Doctors then selected 600 to receive IOL surgery.

“All these patients live below the poverty line and an operation on their own would be a wild dream, which they never could achieve,” said J.V. Krishna Rao, a member of the Duggirala club.

More than 150 Rotarians from five area Rotary clubs mobilized to identify, register, and transport patients to the eye camp for screening. Then they took the patients to hospitals for surgery, provided them with food and water, and advised them about precautions to follow during postoperative care.

“Thanks to The Rotary Foundation, these 600 people were protected from blindness,” said Rao. “They can get around on their own and earn their livelihood. The improvement in [their] lives is a total turnaround.”

Disabled youths Down Under step into jobs

A vocational training project is helping disabled youths in Townsville, Queensland, Australia, to lay the groundwork for a promising future. Supported by the Rotary clubs of Mundingburra, Australia, and Piracicaba-Luiz de Queiroz, Brazil, and a Rotary Foundation Matching Grant, the effort is teaching youths at the Aitkenville /Mundingburra Special School to produce mineral-rich fertilizer from an earthworm farm.

At the Townsville Community Learning Centre, site of the worm farm, students are trained to harvest worm waste for fertilizer and market the fertilizer to local hardware stores and garden outlets.

The enterprise includes “students with a disability [who are] in their senior year and those who have left school and do not have any other options for employment,” said Trevor Philipson of the Rotary Club of Mundingburra.

Mundingburra club members installed equipment and provided technical expertise on running a worm farm, along with funding. The Piracicaba-Luiz de Queiroz club contributed funding and logistical support.

So far, 65 students have benefited from the effort, a number that is expected to double when the worm farm operates at full capacity. “It is envisioned that the project will become self-funding,” said Philipson. “There are [also] opportunities for students with a disability to become entrepreneurial in establishing their own businesses.”

Students proudly display earthworms used to “manufacture” income-producing fertilizer.



Educational Programs

TAKING ACTION TO MAKE THE WORLD A MORE PEACEFUL PLACE

Labor camp survivor now works to resolve conflicts

Path Heang was just a young boy in 1975 when the Khmer Rouge forced him into a Cambodian labor camp. Separated from his parents, also imprisoned in camps, Heang toiled in rice fields, dug canals, collected dung for fertilizer, and herded cattle. Once, when some of the cows wandered off, a Khmer

Rouge official punished him by tying him to a tree crawling with biting ants.

In high school, Heang secretly studied English, a language forbidden by the Vietnamese-backed government. Twice, police discovered where he and his classmates were studying and put them in jail for several nights.

After college, among other jobs, Heang helped poor farmers increase their crop yields, persuaded Cambodians to turn in their weapons to authorities, and coordinated a team that assisted in resolving labor disputes. Funded by a Hartley B. Barker & Ruth B. Barker Endowed Rotary World Peace Fellowship, he studied at the Rotary Center for International Studies at the University of Queensland in Brisbane, Australia, in 2002-04.

After his fellowship ended, Heang returned to Cambodia and worked for a research institute, helping political parties, nongovernmental organizations, and the government resolve election disputes. Today, he is a program officer for the Cambodian office of the World Bank, working on a project called Justice for the Poor. The effort is aimed at settling disputes involving land, management of natural resources, and local governments outside the courts, which are widely believed to be corrupt.

"How I worked my way here . . . is because of struggle, commitment, determination, and support from others, including The Rotary Foundation," he says.

Ultimately, Heang aims to be a senior level policymaker, although not in the public sector. "My goal is to get into a [position] where I can help a larger portion of Cambodians," he says.



AP PHOTO/SINITH HENG

Path Heang



John Schott, recipient of the 2005-06 Rotary Foundation Global Alumni Service to Humanity Award

Development expert credits scholarship for career vision

For more than four decades, John R. Schott has worked with the United Nations, World Bank, U.S. Agency for International Development, and other global organizations to help communities in Africa and Southeast Asia find sustainable solutions to meet their needs. He has ensured that U.S. foreign aid reaches intended beneficiaries, worked with the Thai and Indonesian governments to help farmers and small businesses set up cooperatives, and consulted with international relief agencies to address long-term development issues in the aftermath of natural disasters.

In recognition of his exceptional career in international development, Schott was named the recipient of The Rotary Foundation Global Alumni Service to Humanity Award for 2005-06.

Schott says it was his 1956-57 Ambassadorial Scholarship to Oxford University's Brasenose College, sponsored by the Rotary Club of Swarthmore, Pennsylvania, USA, that charted his future career as an international consultant. "Consciously or unconsciously, I was linked up to Rotary's notion of Service Above Self. I wanted to be what was useful and helpful to other people."

In accepting the alumni award at the 2006 RI Convention in Copenhagen, Schott praised Rotary's ideals. "Rotary has done [exceptional work] in respecting cultural differences, [instilled] in others the notion of Service Above Self, and promoted cultural interchange and discussion of differences. . . . To be honored by The Rotary Foundation of Rotary International and people like you is something quite singular and very special. You've honored me, may I say 'I honor you.'"



In the 1980s, Schott surveys the damage wrought by a typhoon in the Philippines, one of many of his consulting efforts following a natural disaster.

GSE addresses HIV/AIDS issues in Africa

To understand and respond to the devastating effects of HIV/AIDS on African countries, Canadian District 7070 organized a special focus Group Study Exchange (GSE) visit to District 9210, which encompasses Malawi, Mozambique, Zambia, and Zimbabwe. Team members included a respiratory therapist, physiotherapist, elementary school teacher, freelance writer, and the communications director of Toronto's AIDS Committee. The team also brought a C\$5,000 donation from a Rotarian to purchase school supplies, books, clothes, and toys for the African children they encountered.

During the GSE, the team learned of schools' efforts to educate young people about HIV/AIDS and preventive measures being taken by hospitals and clinics to halt the spread of the disease. Discussions with doctors, caregivers, and the general public convinced team members that Africa's AIDS epidemic can be brought under control. However, resources are needed to implement and sustain programs on a long-term basis.

The GSE experience left a profound imprint on the entire team. All of the members have since gone on to participate in relief efforts abroad, some returning to Africa.

"It was a new experience . . . to open my heart and soul and be vulnerable to people who would be strangers were it not for Rotary," said team leader Karen Baker, a member of the Rotary Club of Belleville. "The [GSE] program is an excellent tool for encouraging world peace and cultural understanding."



GSE team members play with children at Chinyadza Orphanage in Harare, Zimbabwe.



MONIKA LOZINSKA-LEE/RI

Elis Nora del Carmen Urbina launched a handmade paper business after moving to Nueva Esperanza, Honduras, a community created to provide sustainable disaster relief to people whose homes were destroyed by Hurricane Mitch in 1998. The community was partially funded by a Health, Hunger and Humanity (3-H) Grant, sponsored by Rotarians in Honduras and Manteca, California, USA. The project has provided residents with jobs and educational opportunities. Since starting her business, Urbina has doubled her family's income and has even been able to pay off her new home.

At Beyazit State Library in Istanbul, Turkey, a man reads a document produced from a Braille printer provided through a Foundation Matching Grant project supported by Rotarians in that country and the United States. The effort also funded purchase of equipment for the library to reproduce CD books and other Braille materials.



A Group Study Exchange team from District 9520 (Australia) visits a plantation in District 4150 (Mexico) that raises agave, a plant used to manufacture rope and other products.



Rotary Foundation Scholar Keiko Sawa of Japan administers polio vaccine to a child in Ghana as part of a PolioPlus immunization campaign. Sponsored by the Rotary Club of Korien, Osaka, Japan, Sawa also participated in several community service projects as a member of the Rotaract Club of University of Ghana.

Manasarovar Academy in Kathmandu, Nepal, serves more than 150 children, most of them Tibetan refugees. Aided by Foundation Matching Grants, Rotarians in Nepal and the USA support students with scholarships and supplies.



AP WIDE WORLD PHOTOS







ALYCE HENSON / RI

A teacher instructs children at Sicelekuhle preschool in Molweni Valley, KwaZulu-Natal, South Africa, on how to use educational toys. The support of Rotarians in districts 9270 (South Africa) and 1110 (England), aided by a Foundation Matching Grant, helped supply the preschool's teachers with the toys, equipment, training, and food.

(Left) Families in Romania like this one are benefiting from a Rotary Foundation Health, Hunger and Humanity (3-H) project that builds on an existing effort of Heifer Project International. Sponsored by the Rotary clubs of Cluj Napoca, Romania, and Little Rock, Arkansas, USA, the 3-H project is helping to feed children in hospitals, schools for the disabled, and orphanages, as well as farm families.



JEAN-MARC CIBOUX

Polio survivor and U.S. Rotarian Ann Lee Hussey immunizes a child in Egypt, which was declared polio-free in February. Only four countries in the world remain polio endemic.

Fund Development

TAKING ACTION FOR THE FUTURE OF HUMANKIND

The Foundation celebrates one million Paul Harris Fellows



The Rotary Foundation celebrated a historic milestone when 34 individuals, one from each RI zone, were recognized as together representing the one millionth Paul Harris Fellow.

The first Paul Harris Fellow — Past RI Director Allison G. Brush of the Rotary Club of Laurel, Mississippi, USA — was recognized in 1957. Over the years, Rotarians have bestowed this special recognition on spouses, sons, daughters, best friends, even new-born babies.

These one million Paul Harris Fellows represent us\$1 billion contributed to Foundation projects aimed at doing good in the world. Their expansive spirit of giving has enabled the Foundation's humanitarian and educational programs to grow and meet great global needs.

Peter Radel performs a song at the 2006 Music Hall fundraiser staged by his Rotary Club of Wynyard, Tasmania, Australia. Radel, of RI Zone 8, was one of the 34 individuals honored worldwide as together representing the one millionth Paul Harris Fellow.

Major Donors act on vision to help others

In 1980, at age 18, Ravishankar Bhooplapur became the youngest member of the Rotary Club of Dharwad, Karnataka, India. Seven years later, he made another commitment — to help people in need by contributing a percentage of each paycheck to The Rotary Foundation.

Since then, Bhooplapur has made good on that commitment time and again. Now an assistant governor of District 7250 (New York, USA) and a member of the Rotary Club of Great Neck, he founded Gift of Life, India, which treats children with congenital heart defects. He has participated in two National Immunization Days in India and helped obtain Matching Grants to fund health initiatives there. He also sponsors 120 Indian children, providing them with food, water, and an education. In addition, he has established dialysis and physiotherapy centers, eye care centers, and blood banks for immigrants in New York. In 2003, Bhooplapur received the Foundation's Citation for Meritorious Service.

He and his wife, Jayasheela, have contributed more than us\$250,000 to the Foundation and committed \$1 million to the Permanent Fund as Bequest Society members. They are charter members of the Arch C. Klumph Society, which is named after the founder of the Foundation and honors Major Donors who contribute \$250,000 or more.

"The Rotary Foundation was the medium that allowed me to fulfill my lifelong dream of helping people in need," said Bhooplapur. "I can only wish that many more people in the world can be touched by the notion that saving lives is not only a noble thing but a very much needed value in the world today."

A passion for the language of global understanding

Noboru Ohkubo's experience as a business leader, writer, and Rotarian reflects a passion for excellence in education. And education, he believes, is an essential tool for building world understanding and peace.

Ohkubo is president of a firm that develops educational and cultural business publishing software, Oak Co. Ltd. He is also founder and chair of the Japan Kanji Aptitude Testing Foundation, which has been incorporated by the country's Ministry of Education. More than two million people in Japan and other countries take the foundation's tests every year to assess their proficiency in kanji, which is one of three scripts used in the Japanese language.

Governor of District 2650 (Japan) and a member of the Rotary Club of Kyoto-Southwest, Ohkubo has served as zone coordinator of RI's Literacy and Education Task Force and chaired his district's Membership Development Committee. A skilled and prolific writer, he has also published several books on topics such as how individuals and corporations can support communities, wisdom for sustainable development, and 21st-century business practices. In addition, he is a member of Japan PEN, part of a global association of writers that works to advance literature, defend free expression, and foster international literary fellowship.

Recently, Ohkubo established the Noboru Ohkubo Endowed Rotary World Peace Fellowship, and he and his wife, Yasuko, were inducted as members of the Arch C. Klumph Society. The society is named after the founder of the Foundation and honors Major Donors who contribute US\$250,000 or more.

"District Governor Ohkubo believes in the power of education and the importance of giving students the chance to build peace through education and cultural exchange," said Sakuji Tanaka, who was then an incoming Rotary Foundation trustee, at the induction ceremony. "These beliefs and his dedication to Rotary led him to establish [the fellowship]."



Major Donors Noboru and Yasuko Ohkubo



The Bhooplapur family is honored at the Foundation's Arch C. Klumph Gallery. Second from right is son, Amogh, followed by Ravishankar, Jayasheela, and daughter, Manali. At far left is Carl-Wilhelm Stenhammar, who was then RI President-elect; far right, 2004-05 RI President Glenn E. Estess Sr.

What the Foundation received

Contributions

For the third year in a row, since the inception of its Every Rotarian, Every Year (EREY) initiative in 2003-04, the Foundation set a new record for contributions to the Annual Programs Fund at US\$92.6 million. Five countries — Japan, Korea, Canada, Taiwan, and Hong Kong — exceeded the EREY worldwide \$100 per capita goal. Permanent Fund contributions of \$12.1 million increased 22.2 percent from \$9.9 million achieved in 2004-05. Although the polio eradication fundraising campaign ended 30 June 2005 having successfully raised \$122.3 million, the PolioPlus program received \$5.6 million this year toward the final push for a polio-free world. Over the past 10 years, total giving to the Foundation grew at an annualized rate of 6.9 percent. During this time period, 75 percent of all contributions were designated to the Annual Programs Fund. In 2005-06, contributions, including \$15.3 million in flow-through contributions and \$1.6 million in restricted giving, totaled \$127.2 million.

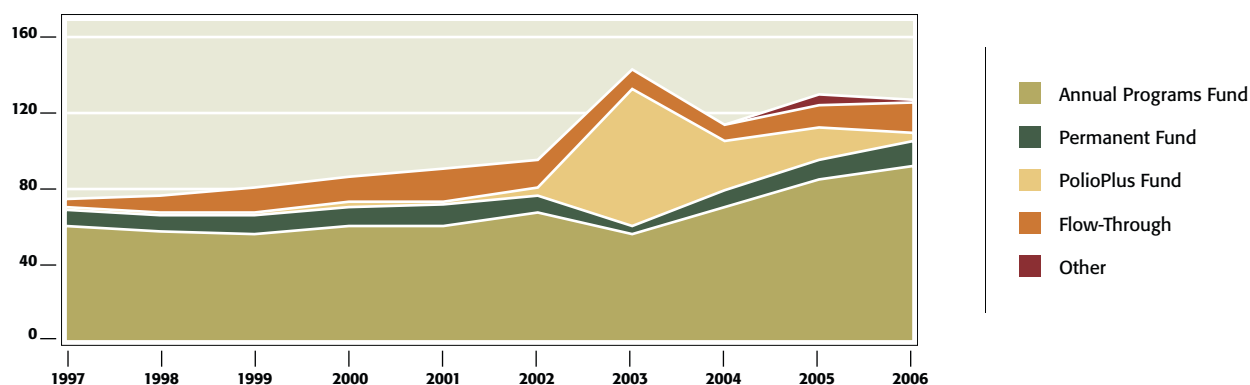
20 TOP GIVING COUNTRIES

Rank		Country	2005-06 Total Contributions*	Annual Giving per Rotarian	
2006	2005			2005-06	2004-05
1	1	USA	US\$55,209,069	US\$96.71	US\$86.73
2	2	Japan	\$13,843,919	\$110.79	\$106.83
3	3	Korea	\$7,944,847	\$138.92	\$119.57
4	4	Canada	\$4,448,147	\$103.59	\$84.20
5	8	UK	\$4,239,913	\$55.58	\$49.23
6	9	India	\$4,181,058	\$39.38	\$29.43
7	5	Germany	\$4,131,002	\$69.73	\$70.19
8	6	Italy	\$4,062,553	\$75.21	\$74.37
9	10	Australia	\$3,360,143	\$67.42	\$58.94
10	11	France	\$3,321,386	\$77.72	\$65.02
11	7	Taiwan	\$3,096,422	\$139.29	\$136.28
12	12	Brazil	\$2,228,428	\$38.53	\$35.45
13	23	Hong Kong	\$1,558,985	\$127.23	\$168.57
14	14	Mexico	\$1,450,857	\$82.51	\$57.37
15	20	New Zealand	\$914,010	\$47.37	\$49.56
16	17	Belgium	\$861,263	\$57.32	\$48.96
17	12	Netherlands	\$828,812	\$25.15	\$29.00
18	18	Sweden	\$743,133	\$16.33	\$18.01
19	15	Philippines	\$662,362	\$30.38	\$37.97
20	28	Turkey	\$605,996	\$60.28	\$29.44

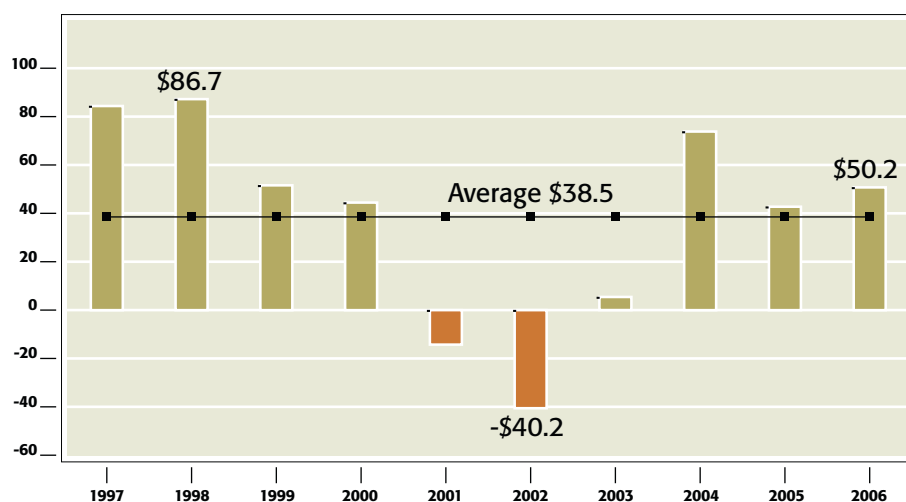
Note: Countries highlighted in boldface type exceeded the EREY US\$100 per capita goal.

* Flow-through contributions are included.

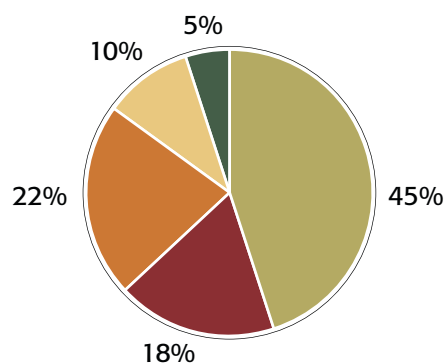
CONTRIBUTIONS TO THE ROTARY FOUNDATION US\$ (millions)



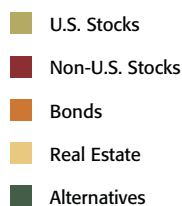
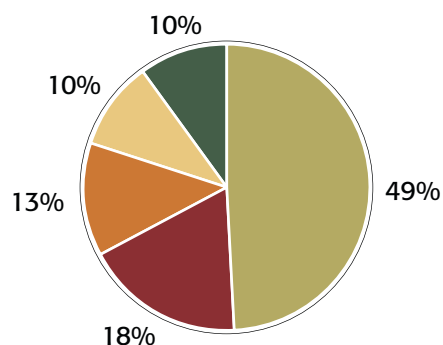
INVESTMENT INCOME US\$ (millions)



TARGET ASSET ALLOCATION OF ANNUAL PROGRAMS FUND



TARGET ASSET ALLOCATION OF PERMANENT FUND



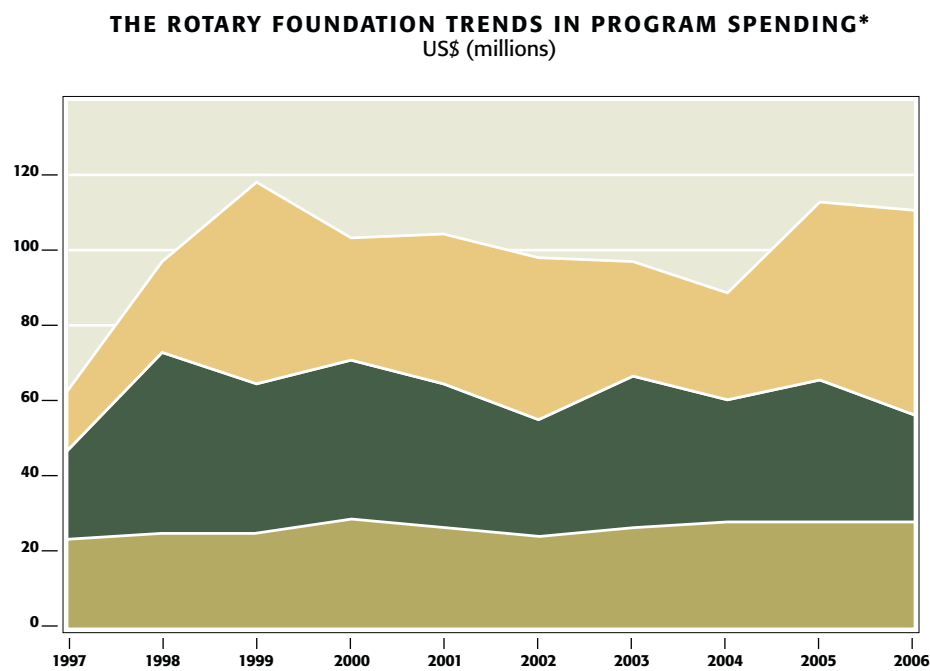
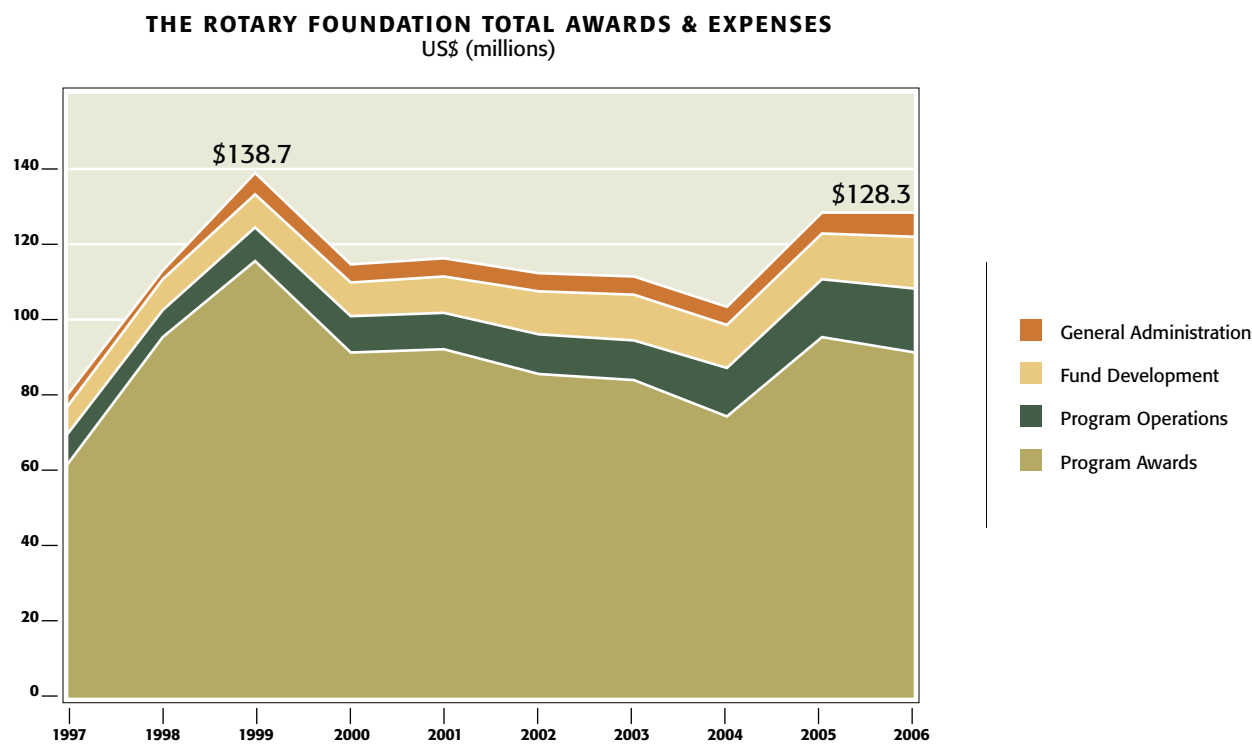
Investment income

The Foundation's investments contributed US\$50.2 million to 2005-06 total revenue of \$162.1 million. Investment income from the Annual Programs Fund and PolioPlus Fund totaling \$35.6 million was used to pay program operations, fund development, and general administration expenses. In accordance with the Permanent Fund's spending policy, investment income of \$14.6 million was allocated as follows: \$4.1 million to program awards, \$0.8 million for the Foundation's operating expenses, and the balance of \$9.7 million remained in the fund.

Investment income from all funds over the past 10 years averaged \$38.5 million per year. During this same time period, investment income from the Annual Programs Fund of \$206.6 million was used to fund the Foundation's operating expenses, and excess investment income of \$99.3 million from 1996-97 through 1999-2000 was spent on program awards. The balance of the investment income remained in the operating reserve fund in accordance with Trustee policy.

The 2005-06 return for the Annual Programs Fund was 8.7 percent and for the Permanent Fund was 9.7 percent. These returns exceed the 10-year average returns for these funds and are net of a \$16.0 million contingency reserve for unrealized losses on the Foundation's investments. The PolioPlus Fund's investment return of 1.7 percent was significantly lower because the funds are invested entirely in short-term fixed income securities due to the relatively short-term financing requirements of the program. Over the past 10 years, the annualized rate of return for the Annual Programs Fund was 7.9 percent, the Permanent Fund 7.9 percent, and the PolioPlus Fund 5.2 percent.

Experienced, professional investment managers appointed by the Foundation Trustees manage the Foundation's investments. The Trustees closely monitor the performance of the investment managers and their compliance with policy guidelines. During this fiscal year, the Trustees increased the target allocation to private equity for the Permanent Fund to 5 percent of the portfolio.



* Program Awards and Program Operation Expenses

What the Foundation spent

Program spending

Total spending from the Annual Programs Fund increased by US\$10.5 million over the prior year. Spending on humanitarian programs increased primarily due to more Matching Grant payments and the reinstatement of Health, Hunger and Humanity (3-H) Grants. Total program spending for fiscal 2005-06 was \$108.0 million which included \$27.0 million of PolioPlus program expenditures. Rotarian contributions funded \$91.1 million of program awards (those funds spent directly on humanitarian projects, polio eradication, and educational programs), while investment income funded \$9.8 million of program operating expenses (the cost of personnel, services, communications, publications, public relations, supplies, and computer support to plan, manage, evaluate, and report on the programs of the Foundation and to support the Rotarians who implement international service activities).

Fund development expenses of \$13.7 million were paid from investment income. These expenses include the cost of personnel, services, communications, public relations, supplies, computer support, legal counsel, and recognition items involved in raising contributions and in recognizing the generosity of donors to the Foundation.

General administration expenses of \$6.6 million were paid from investment income. These expenses include the cost of personnel, services, communications, computer support,

supplies, legal counsel, audit fees, and services to the Trustees (administrative support, cost of meetings, travel) to manage the Foundation's assets. General administration expenses include travel-related expenses (airfare, hotel, and meals) of \$150,000 for the chair and \$145,000 for the incoming chair of the Trustees. These travel expenses are incurred to promote the programs of The Rotary Foundation, to raise contributions and awareness for the Foundation, and to attend the International Assembly, the RI Convention, Trustee meetings, and Rotary zone institutes. (*RI Bylaws 22.060*)

Over the past 10 years, 87 percent of the Foundation's total spending was for programs, 9 percent for fund development and recognition, and 4 percent for general administration. The percent of total funds the Foundation spends on programs compares favorably to U.S. and European standards that stipulate at least 65 percent of expenses should be for programs. Over this same time period, 36 percent of program spending was for the eradication of polio, 37 percent for humanitarian programs, and 27 percent for educational programs.

Additional information regarding chair and incoming chair expenses can be found on RI's Web site at www.rotary.org/newsroom/downloadcenter/foundation.

Foundation net assets

The Foundation's net assets increased by US\$34.5 million over the prior year due to the increased level of contributions and investment income. Below is a chart that shows 2005-06 activity in each of the Foundation's funds.

US\$ (millions)	Annual Programs Fund	Permanent Fund	PolioPlus Fund	Other*	Total
Net Assets @ 30 June 2005	\$ 373.6	\$ 157.8	\$ 71.3	\$ 0.2	\$ 602.9
Contributions	92.6	12.1	5.6	1.6	111.9
Investment Income	34.5	14.6	1.1		50.2
Program Awards	(64.2)		(24.9)	(2.0)	(91.1)
Program Operations	(14.8)		(2.1)		(16.9)
Fund Development	(13.7)				(13.7)
General Administration	(6.6)				(6.6)
Transfers between funds	2.9	(4.9)	1.6	0.4	0.0
Minimum Pension Liability Recovery	0.7				0.7
Net Assets @ 30 June 2006	\$ 405.0	\$ 179.6	\$ 52.6	\$ 0.2	\$ 637.4

* Solidarity in South Asia and Disaster Recovery

Note: Unbracketed numbers increase net assets, while bracketed numbers decrease net assets.

Fiscal year financial results**Five year history**

US\$ (millions)

	2005-06	2004-05	2003-04	2002-03	2001-02
REVENUES					
Contributions ¹					
Annual Programs Fund	\$ 92.6	\$ 84.7	\$ 70.5	\$ 55.8	\$ 67.5
Permanent Fund	12.1	9.9	9.3	5.2	8.7
PolioPlus Fund	5.6	18.5	26.2	72.0	5.0
Temporarily Restricted	1.6	4.8			(0.2)
Total Contributions	\$ 111.9	\$ 117.9	\$ 106.0	\$ 133.0	\$ 81.0
Investment Income					
Annual Programs Fund	\$ 34.5	\$ 30.1	\$ 53.3	\$ 2.8	\$ (31.0)
Permanent Fund	14.6	11.1	20.2	0.4	(12.7)
PolioPlus Fund	1.1	1.5	0.1	2.2	3.5
Total Investment Income	\$ 50.2	\$ 42.7	\$ 73.6	\$ 5.4	\$ (40.2)
TOTAL REVENUES	\$ 162.1	\$ 160.6	\$ 179.6	\$ 138.4	\$ 40.8

PROGRAM AWARDS AND EXPENSES					
Program Awards					
Humanitarian Grants Program	\$ 44.3	\$ 38.5	\$ 21.1	\$ 23.0	\$ 36.9
Educational Programs	21.9	22.9	23.8	23.3	21.0
PolioPlus Programs	24.9	33.1	29.3	36.9	27.5
Total Program Awards	\$ 91.1	\$ 94.5	\$ 74.2	\$ 83.2	\$ 85.4
Program Operation Expenses					
Humanitarian Grants Program	\$ 8.7	\$ 7.6	\$ 6.1	\$ 5.5	\$ 4.6
Educational Programs	6.1	5.0	4.1	3.5	3.2
PolioPlus Programs	2.1	3.1	2.3	1.9	2.2
Total Program Operation Expenses	\$ 16.9	\$ 15.7	\$ 12.5	\$ 10.9	\$ 10.0
Total Program Awards and Expenses	\$ 108.0	\$ 110.2	\$ 86.7	\$ 94.1	\$ 95.4
Operating Expenses					
Fund Development	\$ 13.7	\$ 12.2	\$ 11.6	\$ 11.5	\$ 11.3
General Administration	6.6	5.7	4.9	4.6	5.0
Total Operating Expenses	\$ 20.3	\$ 17.9	\$ 16.5	\$ 16.1	\$ 16.3
TOTAL AWARDS AND EXPENSES	\$ 128.3	\$ 128.1	\$ 103.2	\$ 110.2	\$ 111.7

Minimum Pension Liability Recovery (Adjustment) ²	\$ 0.7	\$ (0.3)	\$ 0.6	\$ (1.0)	
INCREASE (DECREASE) IN FOUNDATION ASSETS	\$ 34.5	\$ 32.2	\$ 77.0	\$ 27.2	\$ (70.9)

	2005-06	2004-05	2003-04	2002-03	2001-02
ROTARY FOUNDATION ASSETS ³					
Cash and Other Assets	\$ 34.7	\$ 37.9	\$ 40.8	\$ 46.1	\$ 21.1
Investments					
Cash and Short-Term Investments	\$ 24.2	\$ 21.9	\$ 27.6	\$ 52.7	\$ 33.8
Bonds	159.8	166.2	160.0	142.3	141.8
Stocks	378.8	367.4	338.1	274.9	293.2
Real Estate	62.2	30.1	25.2	23.0	26.9
Alternative Investments	27.6	32.6	13.3	11.9	11.6
Split-Interest Agreements	21.9	18.6	15.3	13.4	13.7
Total Investments	\$ 674.5	\$ 636.8	\$ 579.5	\$ 518.2	\$ 521.0
TOTAL ASSETS	\$ 709.2	\$ 674.7	\$ 620.3	\$ 564.3	\$ 542.1

ROTARY FOUNDATION LIABILITIES AND NET ASSETS					
Liabilities					
Grants approved for future payment	\$ 47.3	\$ 47.4	\$ 33.0	\$ 53.7	\$ 51.0
Other accounts payable and liabilities	24.5	24.4	16.6	17.0	24.7
Total Liabilities	\$ 71.8	\$ 71.8	\$ 49.6	\$ 70.7	\$ 75.7
Net Assets ⁴					
Annual Programs Fund	\$ 405.0	\$ 373.6	\$ 348.4	\$ 302.5	\$ 313.3
PolioPlus Fund	52.6	71.3	80.9	78.5	39.8
Permanent Fund	179.6	157.8	141.3	112.6	113.1
Other Restricted	0.2	0.2	0.1		0.2
Total Net Assets	\$ 637.4	\$ 602.9	\$ 570.7	\$ 493.6	\$ 466.4
TOTAL LIABILITIES AND NET ASSETS	\$ 709.2	\$ 674.7	\$ 620.3	\$ 564.3	\$ 542.1

Flow-Through Contributions					
Matching Grants	\$ 13.6	\$ 10.1	\$ 6.7	\$ 9.6	\$ 11.6
PolioPlus Partners	1.2	1.2	0.7		1.7
Other Restricted Contributions	0.5	0.2	0.4	0.2	0.5
TOTAL FLOW-THROUGH CONTRIBUTIONS	\$ 15.3	\$ 11.5	\$ 7.8	\$ 9.8	\$ 13.8

¹ Flow-through contributions are not included. These funds pass through the Foundation for donor recognition, but are not reported as contributions in the financial statements.

² United States Financial Accounting Standards require minimum pension liability recovery (adjustment) to be made to meet the plan's minimum pension benefit obligation. The minimum pension liability adjustment allocated to The Rotary Foundation by Rotary International was based on the Foundation's proportionate share of payroll expense.

³ Certain reclassifications have been made to prior years' balances to conform with the 2005-06 presentations.

⁴ Net assets are the difference between a company's total assets and total liabilities.

Information is taken from the audited financial statements, which are available on RI's Web site at www.rotary.org/newsroom/downloadcenter/foundation.

THE ROTARY FOUNDATION TRUSTEES 2005-06



ALYCE HENSON/RI

First row (from left):

Bhichai Rattakul
Frank J. Devlyn, Chair
Luis Vicente Giay, Chair-elect
Jonathan B. Majiyagbe

Second row:

Ed Futa, General Secretary
Michael W. Abdalla
Robert S. Scott

Third row:

Rudolf Hörndler
Mark Daniel Maloney
Gary C.K. Huang
Peter Bundgaard
Carolyn E. Jones
Fumio Tamamura
Jayantilal K. Chande
Dong Kurn Lee
Ray Klinginsmith, Vice Chair



Taking action for peace

Former Rotary World Peace Fellow Bautista Logioco (left) of Argentina helped monitor Bolivia's elections in December 2005 as part of an Organization of American States' (OAS) mission to that country. Logioco is a specialist in the OAS Department of Crisis Prevention and Special Missions. Recently, he also worked with an OAS mission to verify demobilization of paramilitary forces in Colombia. In addition, he helped bring together Nicaraguan executive government officials and other political figures during a serious political crisis in that country. Sponsored by the Rotary Club of La Plata Tribunales, Logioco studied at the Rotary Center for International Studies at Duke University and University of North Carolina at Chapel Hill, North Carolina, USA, in 2002-04.



THE ROTARY FOUNDATION
OF ROTARY INTERNATIONAL

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