

Financial Activities: Jan. – Dec. 2005

The financial statements of Toastmasters International were audited by the independent certified public accounting firm of Moore Stephens Wurth Frazer and Torbet, LLP. The statements were prepared in conformity with generally accepted accounting principles.

The Board of Directors of Toastmasters International controls the organization's funds and, with the Executive Director, is responsible for assuring that management fulfills its fiduciary responsibility. The Bylaws of Toastmasters International require that the corporation's financial status be reported to its member clubs annually. To keep our entire membership informed, we are exceeding this requirement by reporting our financial results to all members.

Following is selected information from the year-end financial statements, including a bar graph and pie chart to provide a clearer picture of Toastmasters International's financial activities.

Exhibit A

REVENUE			
DUES	SALES OF EDUCATIONAL MATERIALS	NEW MEMBER FEES	OTHER
EXPENSES			

Revenues/Expenses

Exhibit A shows the relationship of individual revenue sources to expenses. You can see that income generated from dues renewals, new-member fees, charter fees and miscellaneous sources was sufficient to cover expenses.

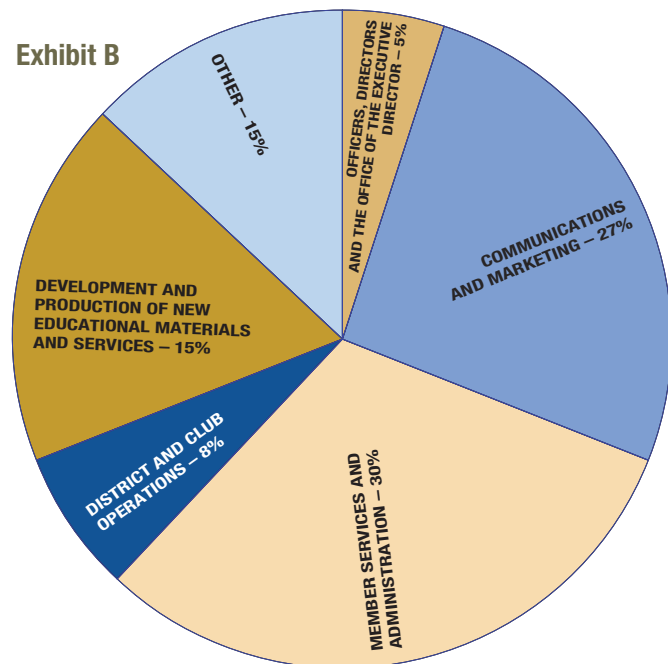
Membership Dues

Exhibit B shows how revenue is spent. The glossary below and on the next page gives an explanation of expenditures.

Glossary of Expenses:

- OFFICERS, DIRECTORS AND THE OFFICE OF THE EXECUTIVE DIRECTOR** – Includes travel and expenses at Board meetings, district visits, regional conferences and outside professional services, such as legal counsel. Board policy ensures smooth operation of the organization and ideas for new and exciting programs. District visits help in building new clubs, strengthening membership and bringing new ideas to members.
- COMMUNICATIONS AND MARKETING** – This section includes information systems and technology and covers the development of new-member and new-club materials, membership and club-building programs, promotions and awards as well as the costs of producing and mailing *The Toastmaster* magazine.

Exhibit B



- MEMBER SERVICES AND ADMINISTRATION** – This section includes administrative services to clubs and districts and covers processing of dues renewals, officer lists, club and district billings, new-member applications and educational awards, as well as updating member and officer information. It also includes accounting and financial reporting and governing documents administration.
- DISTRICT AND CLUB OPERATIONS** – This section includes district, division and area services and development as well as production, field testing and promotion of educational program materials. Includes district operations, developing club and district administrative and training materials, administering the Distinguished District, Division and Area pro-

grams, and planning and operating the regional conferences and the International Convention.

■ **DEVELOPMENT AND PRODUCTION OF NEW EDUCATIONAL MATERIALS AND SERVICES** – Production of materials and distribution of educational, promotional and

administrative materials. The most useful, up-to-date materials are available through the *TI Supply Catalog* to help every member succeed.

■ **OTHER** – Includes annual convention expense, magazine advertising commissions and depreciation. **T**

TI FINANCIAL STATEMENT JANUARY-DECEMBER 2005

STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2005

ASSETS	
Cash and short-term investments.....	\$ 3,679,483
Restricted cash and short-term investments.....	\$ 1,323,873
Marketable securities.....	\$ 14,839,313
Accounts receivable, net of allowance for doubtful accounts of \$20,000 and \$5,000, respectively.....	\$ 42,102
Inventories, net.....	\$ 992,914
Deposits, prepaid postage and other.....	\$ 324,276
Property, building and equipment, net of accumulated depreciation.....	\$ 3,970,474
Total Assets.....	\$ 25,172,435
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable and accrued liabilities.....	\$ 704,326
Funds held for Toastmasters International regions...	\$ 165,146
Total Liabilities.....	\$ 869,472
Net Assets:	
Unrestricted.....	\$ 8,185,788
Temporarily restricted.....	\$ 16,100,365
Permanently restricted.....	\$ 16,810
Total Net Assets.....	\$ 24,302,963
TOTAL LIABILITIES AND NET ASSETS.....	\$ 25,172,435

The Ralph C. Smedley Memorial Fund

This fund was established to provide financial support for Toastmasters International's educational programs. These include the creation of new and innovative educational materials for club and member use, the development of promotional material designed to spread the word about Toastmasters, and development of new educational programs, such as the Leadership Excellence Series. It also includes market and member research.

The fund is comprised of donations from individual Toastmasters and Toastmasters clubs, interest earned and the increase in the value of investments on those donations. Contributions from January 1 - December 31, 2005 totaled \$74,493. The fund had a balance of \$848,227 as of December 31, 2005.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2005

CHANGES IN UNRESTRICTED NET ASSETS:

REVENUE:

Membership and service fees:	
Member fees.....	\$ 6,702,040
New member service fees.....	\$ 1,485,300
Charter fees.....	\$ 103,866
Total membership dues and service fees....	\$ 8,291,206
Sales of educational materials and supplies.....	\$ 1,886,287
Annual convention revenues.....	\$ 563,509
Interest.....	\$ 82,271
Royalties.....	\$ 12,520
Magazine advertising.....	\$ 150,103
Contributions.....	\$ 125,452
Other.....	\$ 31,114
Total revenue.....	\$ 11,142,462

EXPENSES:

Executive director; officers; board.....	\$ 564,991
Communications and marketing.....	\$ 2,920,484
Member services and administration.....	\$ 3,282,998
District and club operations.....	\$ 829,982
Production.....	\$ 322,130
Cost of educational materials and supplies.....	\$ 1,324,141
Annual convention expenses.....	\$ 687,348
Magazine advertising.....	\$ 28,502
Depreciation – other.....	\$ 361,553
Depreciation – technology.....	\$ 614,884
Total expenses.....	\$ 10,937,013

INCREASE IN UNRESTRICTED NET ASSETS..... **\$ 205,449**

You have the opportunity to continue the legacy of our organization's founder by contributing to the Ralph C. Smedley Memorial Fund. The fund is used to develop new and innovative educational and promotional materials, such as the videos *Meeting Excellence*, *Everyone's Talking About Toastmasters*, *Effective Evaluation*, and the High Performance Leadership Program. Our online Supply Catalog at www.toastmasters.org was also made possible by contributions to the fund. Contribute \$26-\$99 and receive a special Toastmasters International paper weight. Donors of \$100-\$999 or more receive a special plaque and have their names permanently inscribed on a donor recognition plaque at World Headquarters. Every contributor is recognized in *The Toastmaster* magazine.

Contributions are tax deductible in the U.S. If you live in a country outside the U.S., please consult your tax advisors to find out if your donation is

Keep the Legacy *Alive!*

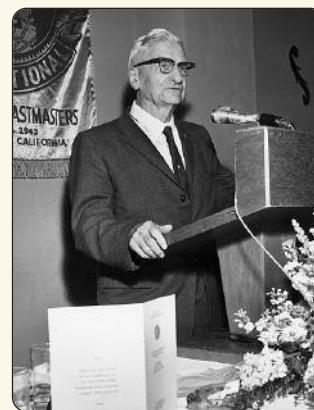
tax deductible. Your support will result in more people learning, growing and achieving through Toastmasters. Contributions should be sent to:

The Ralph C. Smedley Memorial Fund

TOASTMASTERS INTERNATIONAL

P.O. Box 9052 • Mission Viejo CA 92690-9052, U.S.A.

Contributions may be made via check, money order, Visa, Mastercard, American Express or Discover cards. If making an honorary or memorial contribution, please indicate the name and address of any person(s) to whom acknowledgment should be sent.



Ralph C. Smedley