

# Rotary International

Consolidated Financial Statements and  
Supplementary Information as of and for the  
Years Ended 30 June 2020 and 2019, and  
Independent Auditors' Report

# ROTARY INTERNATIONAL

## TABLE OF CONTENTS

---

	<b>Page</b>
INDEPENDENT AUDITORS' REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED 30 JUNE 2020 AND 2019:	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9-26
SUPPLEMENTARY INFORMATION AS OF AND FOR THE YEARS ENDED 30 JUNE 2020 AND 2019:	27
Consolidating Statements of Financial Position	28-29
Consolidating Statements of Activities	30-31
Association Activities	32-33

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Rotary International:

We have audited the accompanying consolidated financial statements of Rotary International, which comprise the consolidated statements of financial position as of 30 June 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Rotary International's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rotary International's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rotary International as of 30 June 30, 2020 and 2019, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. This supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and the additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*Deloitte & Touche LLP*

27 October 2020

# ROTARY INTERNATIONAL

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 JUNE 2020 AND 2019 (In thousands of U.S. dollars)

---

	2020	2019
<b>ASSETS</b>		
ASSETS:		
Cash and cash equivalents—unrestricted and restricted	\$ 60,641	\$ 61,029
Club and other accounts receivable—net	10,288	6,096
Pledges receivable—net	17,927	17,006
Deferred charges, prepaid expenses, and other assets	11,229	12,271
Investments	1,241,778	1,274,722
Split-interest agreements	51,056	47,511
Property and equipment—net	<u>52,681</u>	<u>45,229</u>
<b>TOTAL ASSETS</b>	<b><u>\$1,445,600</u></b>	<b><u>\$1,463,864</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 27,917	\$ 31,262
Split-interest agreements payable	34,954	31,810
Accrued program awards	98,061	93,883
Deferred revenue	8,321	10,722
Foreign currency obligations	<u>-</u>	<u>48</u>
 Total liabilities	 <u>169,253</u>	 <u>167,725</u>
 NET ASSETS:		
Without donor restriction	805,711	842,042
With donor restriction	<u>470,636</u>	<u>454,097</u>
 Total net assets	 <u>1,276,347</u>	 <u>1,296,139</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b><u>\$1,445,600</u></b>	 <b><u>\$1,463,864</u></b>

See accompanying notes to the consolidated financial statements.

# ROTARY INTERNATIONAL

## CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2020 (In thousands of U.S. dollars)

	Without Donor Restriction	With Donor Restriction	Total
REVENUES:			
Contributions	\$ 126,076	\$ 208,682	\$ 334,758
Split-interest agreements	-	1,558	1,558
Dues	82,205	-	82,205
Net investment return	14,558	(6,965)	7,593
Services and other activities	19,764	-	19,764
Other revenues—net	92	(435)	(343)
Net assets released from restrictions	<u>183,923</u>	<u>(183,923)</u>	<u>-</u>
Total revenues	<u>426,618</u>	<u>18,917</u>	<u>445,535</u>
EXPENSES:			
Program awards and expenses	376,160	-	376,160
Development expenses	37,345	-	37,345
General administration	<u>44,365</u>	<u>-</u>	<u>44,365</u>
Total expenses	<u>457,870</u>	<u>-</u>	<u>457,870</u>
CHANGE IN NET ASSETS BEFORE NONOPERATING ACTIVITIES	(31,252)	18,917	(12,335)
FOREIGN CURRENCY EXCHANGE (LOSSES)	(5,079)	(3)	(5,082)
RESERVE AGAINST PLEDGES RECEIVABLE	<u>-</u>	<u>(2,375)</u>	<u>(2,375)</u>
CHANGE IN NET ASSETS	(36,331)	16,539	(19,792)
NET ASSETS—Beginning of year	<u>842,042</u>	<u>454,097</u>	<u>1,296,139</u>
NET ASSETS—End of year	<u>\$ 805,711</u>	<u>\$ 470,636</u>	<u>\$ 1,276,347</u>

See accompanying notes to the consolidated financial statements.

# ROTARY INTERNATIONAL

## CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2019 (In thousands of U.S. dollars)

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
REVENUES:			
Contributions	\$ 141,816	\$ 177,977	\$ 319,793
Split-interest agreements	-	1,843	1,843
Dues	77,713	-	77,713
Net investment return	21,797	18,270	40,067
Services and other activities	33,404	-	33,404
Other revenues—net	277	363	640
Net assets released from restrictions	<u>169,602</u>	<u>(169,602)</u>	<u>-</u>
Total revenues	<u>444,609</u>	<u>28,851</u>	<u>473,460</u>
EXPENSES:			
Program awards and expenses	358,979	-	358,979
Development expenses	37,399	-	37,399
General administration	<u>45,386</u>	<u>-</u>	<u>45,386</u>
Total expenses	<u>441,764</u>	<u>-</u>	<u>441,764</u>
CHANGE IN NET ASSETS BEFORE NONOPERATING ACTIVITIES	2,845	28,851	31,696
FOREIGN CURRENCY EXCHANGE (LOSSES) GAINS	(1,293)	15	(1,278)
RESERVE AGAINST PLEDGES RECEIVABLE	<u>(66)</u>	<u>(1,607)</u>	<u>(1,673)</u>
CHANGE IN NET ASSETS	1,486	27,259	28,745
NET ASSETS—Beginning of year	<u>840,556</u>	<u>426,838</u>	<u>1,267,394</u>
NET ASSETS—End of year	<u>\$ 842,042</u>	<u>\$ 454,097</u>	<u>\$ 1,296,139</u>

See accompanying notes to the consolidated financial statements.

# ROTARY INTERNATIONAL

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED 30 JUNE 2020 (In thousands of U.S. dollars)

	Program Awards and Expenses				Supporting Services		Total Expenses
	PolioPlus Program	Rotary Grants	Other Programs	Total Program Awards and Expenses	Development Expenses	General Administration	
EXPENSES BY NATURAL CLASSIFICATION:							
Program awards	\$ 151,755	\$ 133,908	\$ 21,426	\$ 307,089	\$ -	\$ -	\$ 307,089
Salaries, benefits, and payroll taxes	855	13,140	19,191	33,186	20,521	24,443	78,150
External services	598	1,731	3,581	5,910	3,543	4,955	14,408
Volunteer reimbursements	-	-	6,933	6,933	858	1,004	8,795
Travel	217	451	4,836	5,504	1,384	2,530	9,418
Conferences, conventions, and meetings	10	5	1,706	1,721	176	70	1,967
Media and public relations	15	194	2,062	2,271	468	2,031	4,770
Information technology and communications	46	1,875	1,440	3,361	2,140	2,236	7,737
Publications and printing	-	-	966	966	649	314	1,929
Postage, shipping, and freight	5	63	1,374	1,442	1,274	561	3,277
Donor recognition	-	-	23	23	1,119	4	1,146
Cost of sales	-	8	163	171	151	48	370
Occupancy	22	928	4,850	5,800	2,983	3,511	12,294
Insurance, finance fees, and taxes	1	53	808	862	1,600	2,124	4,586
General office and miscellaneous	11	354	556	921	479	534	1,934
<b>TOTAL EXPENSES BY NATURAL CLASSIFICATION</b>	<b>\$ 153,535</b>	<b>\$ 152,710</b>	<b>\$ 69,915</b>	<b>\$ 376,160</b>	<b>\$ 37,345</b>	<b>\$ 44,365</b>	<b>\$ 457,870</b>
EXPENSE BY ACTIVITY:							
Association activities	\$ -	\$ -	\$ 48,489	\$ 48,489	\$ 18,080	\$ 29,768	\$ 96,337
Foundation activities	153,535	152,710	21,426	327,671	19,265	14,597	361,533
	<b>\$ 153,535</b>	<b>\$ 152,710</b>	<b>\$ 69,915</b>	<b>\$ 376,160</b>	<b>\$ 37,345</b>	<b>\$ 44,365</b>	<b>\$ 457,870</b>

See accompanying notes to the consolidated financial statements.

# ROTARY INTERNATIONAL

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED 30 JUNE 2019 (In thousands of U.S. dollars)

	Program Awards and Expenses				Supporting Services		Total Expenses
	PolioPlus Program	Rotary Grants	Other Programs	Total Program Awards and Expenses	Development Expenses	General Administration	
EXPENSES BY NATURAL CLASSIFICATION:							
Program awards	\$ 151,223	\$ 118,287	\$ 11,581	\$ 281,091	\$ -	\$ -	\$ 281,091
Salaries, benefits, and payroll taxes	823	12,701	18,533	32,057	19,107	23,136	74,300
External services	595	1,540	3,562	5,697	2,791	5,301	13,789
Volunteer reimbursements	-	-	7,675	7,675	950	1,209	9,834
Travel	249	919	6,928	8,096	2,473	4,544	15,113
Conferences, conventions, and meetings	10	18	8,571	8,599	1,547	1,048	11,194
Media and public relations	3	98	877	978	468	788	2,234
Information technology and communications	46	1,817	1,544	3,407	2,014	2,222	7,643
Publications and printing	2	19	1,093	1,114	871	368	2,353
Postage, shipping, and freight	6	84	1,537	1,627	1,455	633	3,715
Donor recognition	-	-	20	20	990	5	1,015
Cost of sales	-	13	185	198	227	52	477
Occupancy	9	928	4,708	5,645	2,885	3,439	11,969
Insurance, finance fees, and taxes	1	38	1,235	1,274	1,026	1,944	4,244
General office and miscellaneous	12	326	1,163	1,501	595	697	2,793
<b>TOTAL EXPENSES BY NATURAL CLASSIFICATION</b>	<b>\$ 152,979</b>	<b>\$ 136,788</b>	<b>\$ 69,212</b>	<b>\$ 358,979</b>	<b>\$ 37,399</b>	<b>\$ 45,386</b>	<b>\$ 441,764</b>
EXPENSE BY ACTIVITY:							
Association activities	\$ -	\$ -	\$ 57,613	\$ 57,613	\$ 18,350	\$ 30,596	\$ 106,559
Foundation activities	152,979	136,788	11,599	301,366	19,049	14,790	335,205
	<b>\$ 152,979</b>	<b>\$ 136,788</b>	<b>\$ 69,212</b>	<b>\$ 358,979</b>	<b>\$ 37,399</b>	<b>\$ 45,386</b>	<b>\$ 441,764</b>

See accompanying notes to the consolidated financial statements.

## ROTARY INTERNATIONAL

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 30 JUNE 2020 AND 2019 (In thousands of U.S. dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (19,792)	\$ 28,745
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Endowment Fund contributions	(36,839)	(22,876)
Contributed securities	17	(47)
Foreign currency translation losses	4,979	1,377
Realized and unrealized (gains)/losses on investments—net	9,777	(24,342)
Losses on disposal of property and equipment	7	40
Depreciation and amortization	6,040	6,548
Change in fair value of foreign currency hedges	(48)	149
Changes in operating assets and liabilities:		
Pledges receivable—net	888	7,178
Deferred charges, prepaid expenses, and other assets	1,042	(666)
Split-interest agreements	(3,545)	(2,479)
Club and other accounts receivable—net	(4,192)	(1,122)
Accrued program awards	4,178	4,753
Accounts payable and accrued expenses	(3,470)	3,843
Split-interest agreements payable	3,144	2,005
Deferred revenue	(2,401)	(6)
Net cash (used in) provided by operating activities	<u>(40,215)</u>	<u>3,100</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(1,162,310)	(2,253,543)
Proceeds from sale of investments	1,175,074	2,229,809
Purchase of property and equipment	(13,374)	(15,139)
Change in short-term investments	<u>10,386</u>	<u>17,414</u>
Net cash provided by (used in) investing activities	<u>9,776</u>	<u>(21,459)</u>
CASH FLOWS FROM FINANCING ACTIVITIES—Proceeds from contributions restricted for investment in Endowment Fund		
Net cash provided by financing activities	<u>35,030</u>	<u>22,875</u>
EFFECT OF EXCHANGE RATES ON CASH	<u>(4,979)</u>	<u>(1,377)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(388)	3,139
CASH AND CASH EQUIVALENTS—including restricted—beginning of year	<u>61,029</u>	<u>57,890</u>
CASH AND CASH EQUIVALENTS—including restricted—end of year	<u>\$ 60,641</u>	<u>\$ 61,029</u>

See accompanying notes to the consolidated financial statements.

# ROTARY INTERNATIONAL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED 30 JUNE 2020 AND 2019 (In thousands of U.S. dollars)

---

### 1. NATURE OF OPERATIONS

The consolidated financial statements consist of four affiliated entities: Rotary International, The Rotary Foundation of Rotary International (the "Foundation"), PPH National Insurance Co. ("PPH"), and Rotary International Infotech Pvt. Ltd. ("Infotech"), collectively referred to as "Rotary". The activities of Rotary International, PPH, and Infotech are referred to as the "Association".

Rotary International is a corporation organized under the Illinois Not-for-Profit Corporation Act. The mission of Rotary International is to provide service to others, promote integrity, and advance world understanding, goodwill, and peace through its fellowship of business, professional, and community leaders. Rotary International supports Rotary clubs worldwide by coordinating global programs, campaigns, and initiatives. Operating revenue is derived primarily from membership dues and investment income.

The Foundation is a corporation organized under the Illinois Not-for-Profit Corporation Act, of which Rotary International is the sole corporate member. The Foundation is funded solely by voluntary contributions which support its mission to advance world understanding, goodwill and peace. Using Foundation grants, Rotary's approximately 36,000 clubs across the globe develop and carry out sustainable humanitarian projects and provide scholarships and professional training opportunities that promote peace, fight disease, provide clean water, sustain mothers and children, improve education and strengthen local economies. In addition, the Foundation has established associate foundations in Australia, Brazil, Canada, Germany, India, Japan, and the United Kingdom. The associate foundations provide local Rotarians and/or other donors with tax benefits for charitable contributions under the applicable laws in each country. The financial activities conducted by the associate foundations are included in the consolidated statements of financial position and the related consolidated statements of activities, functional expenses, and cash flows. Operating revenue of the Foundation is derived primarily from contributions and investment income.

PPH, a subsidiary of Rotary International, is a captive insurance company incorporated under the laws of the State of Vermont. PPH provides general liability, directors and officers, and employment practices liability insurances to U.S. Rotary clubs and districts, as well as vicarious liability insurance to Rotary International.

Infotech, a subsidiary of Rotary International, is incorporated under the laws of India and provides information service functions for Rotary.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Principles of Consolidation**—The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All intercompany balances and transactions have been eliminated in the consolidated financial statements.

**Use of Estimates**—The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**—Cash and cash equivalents include operating cash and liquid investments with an initial maturity of three months or less. These include interest-bearing accounts, money market mutual funds, and fixed-term deposits, and are stated at cost, which approximates fair value. Rotary maintains foreign and domestic cash accounts, including cash and cash equivalents subject to certain repatriation restrictions imposed by local governments. These amounts have been presented as restricted in the table below.

	<b>2020</b>	<b>2019</b>
Cash—unrestricted	\$ 43,741	\$ 41,797
Cash—restricted	<u>16,900</u>	<u>19,232</u>
	<u>\$ 60,641</u>	<u>\$ 61,029</u>

Rotary had domestic balances exceeding the Federal Deposit Insurance Corporation’s insured limitations at 30 June 2020 and 2019. Rotary believes it is not exposed to significant credit risk on cash and cash equivalents.

**Club and Other Accounts Receivable**—Accounts receivable are primarily collectible from member clubs for association membership dues. Membership dues are payable at the beginning of each six-month period. Accounts receivable are stated at amounts due, net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. Rotary determines its allowance for doubtful accounts by considering a number of factors, including the length of time accounts receivable are past due, its previous loss history, and the individual or group’s current ability to pay the obligation.

**Pledges Receivable**—The Foundation receives unconditional multiyear pledges ranging from one year to 10 years. Management makes judgments regarding the outstanding pledges and ultimate collectability of these receivables. Pledges receivable are recorded net of discounting for the present value of the expected future cash flows using a risk-free rate.

**Investments**—Investment holdings of securities and financial instruments are recorded at fair value or estimated fair value. Rotary values its investments using the hierarchy of valuation inputs established by Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic 820. The categorization of a financial instrument or investment is based upon its pricing transparency and liquidity and does not necessarily correspond to Rotary’s perceived risk of that instrument.

Investment return consists of realized gains and losses, unrealized gains and losses, dividends and interest and is recorded when earned, and is shown net of investment management fees. Realized gains and losses are determined on the basis of the carrying value of the specific investments sold, and investment transactions are recorded on a trade-date basis. Unrealized gains and losses are determined based on changes in the fair value of investments.

**Split-Interest Agreements**—Split-interest agreements with donors consist of charitable remainder unitrusts for which the Foundation serves as trustee, gift annuity contracts, and pooled income funds. Assets held under these agreements are recorded at estimated fair value and the contribution portion of these agreements is recognized as revenue when received. A liability for the obligation to pay beneficiaries income for their remaining life expectancy is recorded when the agreement is established at the estimated net present value of future cash flows using a discount rate commensurate with the duration of the estimated payments and actuarial assumptions reflecting the terms of the agreements and the estimated time of receipt.

**Property and Equipment**—Property and equipment are stated at cost and depreciated using the straight-line method over the following estimated useful lives of the assets: building (31.5 years), building improvements (the lesser of 25 years or the useful life of the improvements), furniture and equipment (three to 10 years), and data processing equipment and software projects (three or five years as appropriate). Significant renewals and replacements are capitalized, subject to a capitalization threshold minimum. The cost of repairs and maintenance is expensed as incurred. Rotary retires and disposes of capital assets that are no longer held or used in operations.

**Asset Impairment**—Rotary evaluates long-lived assets for impairment on an annual basis. Long-lived assets are considered to be impaired whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable from future cash flows. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. When such assets are considered to be impaired, the impairment loss recognized is measured by the amount by which the carrying value of the asset exceeds the fair value of the asset. No impairment losses have been recognized in fiscal years 2020 or 2019.

**Accrued Program Awards**—The Foundation records the full amount of program awards upon specific designation of award recipients in the year for which they are approved. Program awards are nonexchange transactions with no conditions imposed by the Foundation (right of return, barriers) which allows the Foundation to recognize expense on the date awarded. Awards approved, but not yet paid, are included in accrued program awards in the accompanying consolidated statements of financial position.

**Net Assets**—Rotary classifies resources into two classes of net assets as follows:

**Net Assets Without Donor Restriction**—Net assets not subject to donor-imposed stipulations, including all revenues, expenses, gains and losses that are not changes in net assets with donor restrictions. These include contributions from Rotarians, Rotary districts and clubs, and others as well as dues and any other payments for services and other activities.

In addition to undesignated contributions, the Board of Trustees (the “Trustees”) have designated certain net assets without donor restriction for specific programs or uses. These designations include PolioPlus program, Operating reserve fund, Endowment Fund (see Note 7) and Rotary grants. The Operating reserve fund supports the Foundation’s operating expenses in the event that current-year investment earnings are inadequate.

Rotary also has reserves for the annual convention, investments used to offset future potential investment losses, and strategic reserves used to fund strategic projects outside of regular operations.

**Net Assets With Donor Restriction**—Net assets subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, that may or will be met by fulfillment of the stipulated purpose and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, and are invested to provide a permanent source of income to support Foundation programs.

As of 30 June 2020 and 2019, the Foundation's net assets with donor restrictions for purpose and/or passage of time include Endowment fund earnings and Rotary grants. Foundation policy stipulates that a portion of the Endowment Fund's net investment return be used to support the programs of the Foundation, including reasonable administrative costs in accordance with the conditions agreed on at the time of gift acceptance and in accordance with the spending policy approved by the Trustees. Noncurrent pledges and the unspent portion of the Endowment Fund's net investment return are classified as net assets with donor restriction.

Furthermore, the endowment invested in perpetuity includes donated funds with donor-imposed stipulations, that can neither be removed by fulfillment of a stipulated purpose nor expire with the passage of time. These endowed funds are restricted in perpetuity for annual fund, Rotary grants, PolioPlus program, split-interest agreements, and other designations.

**Revenue Recognition**—Unconditional contributions and unconditional pledges receivable are recognized at fair value at the date the promise is received. Associated accounts receivable for revenue from contributions as of 30 June 2020 and 2019 were \$21,309 and \$19,269, respectively, and allowance for uncollectible pledge was \$3,382 and \$2,263, respectively.

Conditional promises to give, that is, those with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend have been met.

Rotary has entered into cost-reimbursement contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Rotary has incurred expenditures in compliance with specific contract provision.

Rotary recognizes revenue from member dues over the membership period, which is one year aligned with the fiscal year. The performance obligation consists of providing member clubs with access to online resources, staff support, access to Rotary communication materials amongst other club support. Club dues paid in advance are deferred to the membership period in which they relate.

As of 30 June 2020 and 2019, the net club and other accounts receivable was \$10,288 and \$6,096, and the allowance for doubtful accounts was \$202 and \$134 respectively.

Revenues derived from services and other activities, such as the Rotary magazine, council on legislation and international convention are recognized when the benefit is received by the recipient. Any revenue paid in advance are deferred to the period in which the underlying sale or event takes place. At 30 June 2020 and 2019 deferred revenue from services and other activities was \$6,861 and \$8,298 respectively.

**Services and Other Activities**—The Association has services and other activities that generate income to offset the expenses incurred for certain activities.

These activities include the International Convention, which is held annually to inspire and inform Rotarians of Rotary programs and activities during the past year and highlight upcoming activities; the Council on Legislation, which meets every three years to vote on legislation submitted by clubs, districts, and the Board of Directors (the "Board"); *The Rotarian*, which is an English-language magazine subscribed to by Rotarians worldwide; rental income from One Rotary Center, Rotary's world headquarters office building in Evanston, Illinois, United States of America; and the U.S. club insurance program, which provides liability insurances to U.S. Rotary clubs and districts. Also included in the services and other activities are publications and supplies, license fees and miscellaneous, and contributions to the Foundation. See the supplementary schedule to the financial statements for further information.

**Tax Status**—Rotary International and the Foundation have each received a favorable determination letter from the Internal Revenue Service ("IRS") stating that each is exempt from federal income taxes under the provisions of Sections 501(c)(4) and 501(c)(3), respectively, of the Internal Revenue Code of 1986, as amended, except for income taxes pertaining to unrelated business income.

PPH files a corporation income tax return, but is not treated as an insurance company for federal income tax purposes as it is a captive insurance company. Accordingly, premiums (from Rotary) and losses and loss adjustment expenses are excluded from the calculation of taxable income. There was no liability for income tax as of 30 June 2020 and 2019.

Infotech is a private limited company registered in India and, as such, is a taxable corporation in India. Under U.S. tax regulations, Infotech is treated as a foreign partnership and all operations are included in Rotary's U.S. tax filings.

Tax effects from uncertain positions are recognized in the consolidated financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management has determined there are no material uncertain positions that require recognition in the consolidated financial statements. Additionally, no provision for income taxes is reflected in the consolidated financial statements and there is no interest or penalties recognized in the consolidated statements of activities or consolidated statements of financial position.

**Translation of Currency Other than the U.S. Dollar**—The U.S. dollar is the reporting currency for Rotary. Rotary has operations in countries other than the U.S. that are translated into Rotary's reporting currency. Translation and transaction gains or losses are reflected as a separate line item adjusting the change in net assets, as reported in the consolidated statements of activities.

**Risks and Uncertainties**—Rotary has invested cash and short-term investments, debt and equity securities, and alternative investments that are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the consolidated financial statements.

**Allocation Methodology**—The consolidated statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of Rotary are reported as expenses of those functional areas. A portion of General and Administrative costs that benefit multiple functional areas (indirect costs) have been allocated across Programs and Other Supporting Services based on headcount or a calculated distribution rate.

**Adopted Accounting Pronouncements**—Rotary adopted the following FASB issued ASUs.

Rotary adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”) issued by the FASB in May 2014. The pronouncement was issued to clarify the principles for recognizing revenue and to develop a common revenue standard and disclosure requirements for U.S. GAAP and International Financial Reporting Standards. Rotary adopted this standard on 1 July 2019, which did not have an impact on Rotary’s financial statements.

Rotary adopted ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (“ASU 2018-08”) issued in June 2018. This standard clarifies and improves the scope of the accounting guidance for contributions received and contributions made. The clarifications and improved scope assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or as exchange (reciprocal) transactions and 2) determining whether a contribution is conditional. Rotary adopted this standard on 1 July 2019, which did not have a material impact on Rotary’s financial statements.

**Upcoming Accounting Pronouncement Not Yet Adopted** —In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”). The guidance requires a lessee to recognize a liability to make lease payments and an asset representing its right to use the underlying asset for the lease term in the statement of financial position for both operating and capital leases. ASU 2016-02 will be effective for the fiscal year ending 30 June 2023, and early adoption is permitted.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)* (“ASU 2020-07”). The guidance requires more prominent presentation of contributed nonfinancial assets and enhanced disclosures about their valuation and use, including any donor-imposed restrictions on such use. ASU 2020-07 will be effective for the fiscal year ending 30 June 2023, and early adoption is permitted.

**Subsequent Events**— The recent global outbreak of the coronavirus (“COVID-19”) has caused significant volatility within the economic markets, for which the duration and spread of the outbreak and the resultant economic impact is uncertain and cannot be predicted.

Management considered subsequent events through 27 October 2020, the date the financial statements were available to be issued. Rotary is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

### 3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Rotary's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<b>2020</b>	<b>2019</b>
Cash and cash equivalents (Note 2)	\$ 60,641	\$ 61,029
Club and other accounts receivables—net	9,788	6,096
Pledges receivable expected within one year (Note 4)	11,826	11,515
Non-pooled cash and cash equivalents (Note 5)	<u>82,529</u>	<u>112,651</u>
 Total	 <u>\$ 164,784</u>	 <u>\$ 191,291</u>

"Club and other accounts receivable – net" on the Statement of Financial Position as of 30 June 2020 includes a \$500 loan, which does not mature until 2022 and is therefore excluded from balance above.

The assets above include \$2,569 and \$5,636 in donor-advised funds as of 30 June 2020 and 2019, respectively. The Foundation generally uses these assets for grantmaking based on donor recommendations.

The Foundation's Endowment Fund consists of donor-restricted endowments of \$427,509 and \$413,648 and a Trustee-designated endowment of \$57,019 and \$58,210 as of 30 June 2020 and 2019, respectively, as detailed further in Note 7 – Endowments. Income from donor-restricted endowments is restricted for specific purposes and, therefore, may not be available for general expenditure. The endowment has a tiered spending rate structure, with rates between 2% and 5%. Appropriations of \$21,125 and \$17,600 from the Endowment Fund will be available within the next 12 months as of 30 June 2020 and 2019, respectively. Although the Foundation does not intend to spend from its Trustee-designated endowment (other than amounts appropriated per the Trustee's annual spending rate approval), these amounts could be made available if necessary. However, both the Trustee-designated endowment and donor-restricted endowments contain investments with lock-up provisions that would reduce the total investments that could be made available (see Note 5 for disclosures on Investments and Fair Value Measurements).

Rotary has a liquidity management policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Rotary's cash flows have seasonal variations attributable to semi-annual dues invoicing and contribution peaks that coincide with the end of local tax years and Rotary's fiscal year-ends. To manage liquidity, Rotary holds cash in numerous bank accounts around the world, with discretion to invest the excess of daily requirements in short-term investment vehicles such as money market funds and fixed-term deposits.

Annually, if an operating surplus exists, the Trustees will designate a portion of the surplus to the Foundation's operating reserve, which was \$71,362 and \$77,738 as of 30 June 2020 and 2019, respectively.

#### 4. PLEDGES RECEIVABLE-NET

Pledges receivables, net at 30 June 2020 and 2019, are summarized as follows:

	<b>2020</b>	<b>2019</b>
Total pledges receivable	\$21,309	\$19,269
Less adjustments to present value of future cash flows for pledges receivable	(556)	(562)
Less allowance for uncollectible pledges receivable	<u>(2,826)</u>	<u>(1,701)</u>
Pledges receivable—net	<u>\$17,927</u>	<u>\$17,006</u>

The discount rates used to determine the present value of pledges receivable represent the risk-free interest rates applicable to the years in which the promises are received and range from 0.68% to 2.40%.

Payments on pledges receivable at 30 June 2020, are expected to be received as follows:

2021	\$11,826
2022	4,651
2023	3,102
2024	<u>1,730</u>
Total	<u>\$21,309</u>

#### 5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Rotary's investment policy is established by the Board and the Trustees, on the advice of and under the oversight of an Investment Committee and implemented by the office of investment. Rotary's investable assets consist of temporarily invested expendable funds, endowed funds, assets associated with split-interest agreements, and donor-advised funds. Investments are separated into distinct portfolios, each with a specific objective and investment policy, and are invested by external investment firms on behalf of the Rotary, except for certain securities which are managed internally. All invested assets are held in the custody of third-party financial institutions.

**Level 1**—Quoted (unadjusted) prices in active markets for identical assets or liabilities as of the measurement date. Price data is obtained from independent sources.

**Level 2**—Inputs other than Level 1 that are observable either directly or indirectly, such as quoted prices in markets that are not as active, or other inputs that are observable or can be corroborated by observable market data for substantially all of the same term of the assets or liabilities. Inputs are generally obtained from various sources, including market participants, dealers, and brokers.

**Level 3 and Investments Measured at Net Asset Value ("NAV")**—Unobservable inputs that are supported by little or no market activity, including an investment manager's own assumptions about the inputs market participants would use to price an instrument, and are significant to the fair value of the assets or liabilities.

As a practical expedient permitted under U.S. GAAP, the reported NAV of investments in certain commingled funds is used to estimate fair value. Investments that use NAV as a practical expedient for valuation purposes are shown separately from the level hierarchy.

The categorization of a financial instrument within the valuation hierarchy is based on the lowest level of input significant to the fair value measurement. If changes in the inputs used to measure the fair value of an asset or liability result in a transfer of the fair value measurement to a different categorization, such transfers are recognized at the end of the reporting period.

Equity securities traded on a national securities exchange are stated at the last reported sale price on the date of valuation. Mutual funds are valued based on the NAV reported by the fund companies as of the last business day of the fiscal year and are classified as Level 1. To the extent that quoted market prices are not readily available for a security, fair value may be estimated based on broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency and categorized as Level 2. Government and corporate bonds are generally obtained from third-party pricing services for comparable securities and are categorized as Level 2 except for bond exchange-traded funds that are categorized as Level 1.

Investments in commingled funds other than mutual funds are generally recorded at the estimated fair value based on the NAV. Investments in limited partnerships and other similar types of funds are recorded at the estimated fair value based on the percentage ownership of the fund's NAV as of the measurement date provided by the fund manager or third-party administrator. In determining fair value, management utilizes valuations provided by the fund manager. The estimated fair values of certain investments in the fund, which may include private placements and other securities for which prices are not readily available, are determined by the fund manager of the respective fund and may not reflect amounts that could be realized upon immediate sale nor the amount that may ultimately be realized. Accordingly, the estimated fair values may differ from the values that would have been used had a readily available market existed for these investments. In cases where the practical expedient threshold is not met, such as an investment not in compliance with GAAP, or where a statement of partners' capital is not provided, the investment is reported as Level 3.

The estimated fair value of securities that do not have readily determined fair values, and of other investments, that are generally less liquid, are based on valuation information received on the relevant entity and may include last sale information or an independent appraisal of value. In addition, standard valuation techniques, including discounted cash flow models or valuation multiples based on comparable investment may be used. The estimated fair values for these securities are classified as Level 3 reflecting significant unobservable inputs supported by little or no market activity.

Interests in commingled funds other than mutual funds are generally recorded at the NAV reported by the fund administrator or fund manager, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from the NAV.

The valuations of investments measured at NAV and those categorized as Level 3 necessarily involve assumptions and methods that are reviewed by management. Management exercises diligence to assess the policies, procedures, and controls of external investment managers, obtains and reviews a fund's audited financial statements, valuation procedures and transparency of those processes, periodic attendance at investor meetings

and discussions with investment managers. Management has determined that the valuations of these investments are reasonable estimates of fair value. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in assumptions or market conditions in the near term would materially affect the amounts reported in the consolidated financial statements. Funds whose estimated fair values are recorded using the NAV as a practical expedient are reported separately from the fair value levels.

The fair value of the foreign currency contracts and obligations is obtained from a third party as of the measurement date and are classified within Level 2.

Investments include assets of the Donor Advised Fund ("DAF"), which accepts irrevocable contributions and offers individuals and Rotary-affiliated groups the flexibility to recommend grants to either the Foundation or other unaffiliated IRS-approved charities. Grants are subject to approval by the Trustees. The Foundation recognizes revenue when assets are contributed to the DAF. Grants made to other organizations from the DAF are recorded as program awards. DAF invested assets are included in non-pooled investments and reported as Level 1 in the accompanying table.

In the following tables, equity investments/securities include individual equity securities, mutual funds that invest in equity securities, and exchange-traded funds that hold or replicate a basket of equity securities in an index. Fixed-income investments/securities includes bond mutual funds and exchange-traded funds that are categorized as Level 1 and individual government and corporate bonds that are categorized as Level 2.

The estimated fair values of Rotary's investments and financial assets that are measured on a recurring basis are as follows as of 30 June 2020:

	<b>Measured at</b>				
	<b>NAV or</b>				
	<b>Equivalent</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Pooled investments:					
Equity investments/securities	\$ 183,366	\$ 2,751	\$ -	\$ -	\$ 186,117
Fixed income investments/ securities	137,386	100,084	-	-	237,470
Buyout funds	41,706	-	-	-	41,706
Natural resources	9,898	-	-	-	9,898
Real estate	80,701	-	-	-	80,701
Hedge funds	94,647	-	-	-	94,647
Balanced funds	<u>15,610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,610</u>
<b>Total pooled investments</b>	<u>563,314</u>	<u>102,835</u>	<u>-</u>	<u>-</u>	<u>666,149</u>
Nonpooled investments:					
Cash and cash equivalents	-	65,678	16,851	-	82,529
Equity investments/securities	-	83,709	147	-	83,856
Fixed income investments/ securities	<u>-</u>	<u>63,452</u>	<u>345,792</u>	<u>-</u>	<u>409,244</u>
<b>Total nonpooled investments</b>	<u>-</u>	<u>212,839</u>	<u>362,790</u>	<u>-</u>	<u>575,629</u>
<b>Total investments at fair value</b>	<u>\$ 563,314</u>	<u>\$ 315,674</u>	<u>\$ 362,790</u>	<u>\$ -</u>	<u>\$ 1,241,778</u>
Foreign currency hedge contracts			<u>\$ 1</u>		<u>\$ 1</u>
Split-interest agreements:					
Cash and cash equivalents	\$ -	\$ 1,482	\$ -	\$ -	\$ 1,482
Equity investments/securities	-	36,653	-	-	36,653
Fixed income investments/securities	-	12,821	-	-	12,821
Real estate	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
<b>Total split-interest agreements at fair value</b>	<u>\$ -</u>	<u>\$ 50,956</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 51,056</u>

The estimated fair values of the Rotary's investments and financial assets that are measured on a recurring basis are as follows as of 30 June 2019:

	<b>Measured at NAV or Equivalent</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Pooled investments:</b>					
Equity investments/securities	\$ 187,422	\$ 2,479	\$ -	\$ -	\$ 189,901
Fixed income investments/ securities	-	-	-	-	-
Buyout funds	81,838	133,195	-	-	215,033
Natural resources	40,491	-	-	-	40,491
Real estate	15,334	-	-	-	15,334
Hedge funds	81,648	-	-	-	81,648
Balanced funds	44,241	438	-	-	44,679
	<u>15,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,242</u>
Total pooled investments	<u>466,216</u>	<u>136,112</u>	<u>-</u>	<u>-</u>	<u>602,328</u>
<b>Nonpooled investments:</b>					
Cash and cash equivalents	-	53,798	58,853	-	112,651
Equity investments/securities	-	108,434	-	-	108,434
Fixed income investments/ securities	<u>-</u>	<u>228,444</u>	<u>222,865</u>	<u>-</u>	<u>451,309</u>
Total nonpooled investments	<u>-</u>	<u>390,676</u>	<u>281,718</u>	<u>-</u>	<u>672,394</u>
Total investments at fair value	<u>\$ 466,216</u>	<u>\$ 526,788</u>	<u>\$ 281,718</u>	<u>\$ -</u>	<u>\$ 1,274,722</u>
<b>Split-interest agreements:</b>					
Cash and cash equivalents	\$ -	\$ 1,105	\$ -	\$ -	\$ 1,105
Equity investments/securities	-	32,878	-	-	32,878
Fixed income investments/securities	-	13,428	-	-	13,428
Real estate	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
Total split-interest agreements at fair value	<u>\$ -</u>	<u>\$ 47,411</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 47,511</u>

Fair value estimates for funds reported at NAV or its equivalent as a practical expedient at 30 June 2020, are as follows:

	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency *</b>	<b>Redemption Notice Period</b>
Open-ended funds	\$ 420,330	\$ -	D/M/Q/A	up to 90 days
Closed-ended funds	<u>142,984</u>	<u>94,322</u>	N/A	N/A
Total	<u>\$ 563,314</u>	<u>\$ 94,322</u>		

\* D—daily, M—monthly, Q—quarterly, A—annually

Fair value estimates for funds reported at NAV or its equivalent as a practical expedient at 30 June 2019, are as follows:

	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency *</b>	<b>Redemption Notice Period</b>
Open-ended funds	\$ 360,665	\$ 10,000	D/M/Q/A	up to 90 days
Closed-ended funds	105,989	99,299	N/A	N/A
In liquidation	<u>-</u>	<u>-</u>	N/A	N/A
Total	<u>\$ 466,654</u>	<u>\$ 109,299</u>		

\* D—daily, M—monthly, Q—quarterly, A—annually

Open-end funds are those commingled funds that can issue and redeem shares at any time or on a pre-determined schedule. Closed-end funds are those commingled funds that raise capital in a private offering and call for investment, as investor capital is needed to fund investments. As of 30 June 2020 and 2019, Rotary had no plans to sell any investments at amounts different from the NAV.

The components of investment return-net for the years ended 30 June 2020 and 2019, are as follows:

	<b>2020</b>	<b>2019</b>
Interest and dividends	\$ 21,781	\$ 20,400
Realized gains—net	20,740	19,611
Unrealized (losses) gains—net	(30,517)	4,731
Investment and banking fees	<u>(4,411)</u>	<u>(4,675)</u>
Total	<u>\$ 7,593</u>	<u>\$ 40,067</u>

## 6. PROPERTY AND EQUIPMENT

The components of property and equipment, net as of 30 June 2020 and 2019, are as follows:

	<b>2020</b>	<b>2019</b>
Property and equipment:		
Land	\$ 2,231	\$ 2,231
Building and building improvements	90,321	87,313
Furniture and equipment	5,011	5,013
Data processing equipment and software projects	<u>61,854</u>	<u>51,975</u>
Total property and equipment	159,417	146,532
Less accumulated depreciation and amortization	<u>(106,736)</u>	<u>(101,303)</u>
Total	<u>\$ 52,681</u>	<u>\$ 45,229</u>

Depreciation and amortization expense for the years ended 30 June 2020 and 2019, was \$6,040 and \$6,548, respectively.

## 7. ENDOWMENTS

The Foundation's Endowment Fund consists of funds restricted by donors, and funds designated by the Trustees to function as an endowed fund. The primary objective of the Endowment Fund is to support the Foundation in perpetuity. Endowed assets are included in a consolidated pool and invested in accordance with the investment policy approved by the Trustees. Assets of the Endowment Fund are invested for long-term growth and capital appreciation and to provide a stable and sustainable source of funding to support the Foundation.

The net assets associated with endowed funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") is a model act approved by the Uniform Law Commission that serves as a guideline for states to use in enacting legislation and was adopted by the state of Illinois. Management considers the factors prescribed by UPMIFA when deciding how much to distribute each year from a donor-restricted endowed fund and generally applies the same policy to trustee-designated funds.

A portion of the Endowment Fund's investment earnings is used to fund the programs of the Foundation, based on the terms of the gift and the Foundation's spending policy. The Endowment Fund may make an annual distribution to the Foundation's program awards and operations and operating expenses as approved by the Trustees. In fiscal years 2020 and 2019, the Trustees approved spending from those donor-restricted and trustee-designated endowed gifts where the fair value is at least 90% of the accumulated gift value. Spending is based on a tiered spending rate structure, with rates between 2% and 5%, depending on the level of accumulated earnings.

Split-interest agreements and related activities are part of net assets with donor restriction, but are managed separately from endowments; therefore, split-interest agreements are not included in the spending calculations for the Endowment Fund or in the endowment net assets reported.

Changes in endowment net assets for the year ended 30 June 2020, are as follows:

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
Endowment net assets—beginning of year	\$58,210	\$413,648	\$471,858
Contributions	947	36,839	37,786
Investment return	(877)	(6,965)	(7,842)
Transfer to trustee-designated Endowment funds	847	-	847
Conversion of split-interest agreements to Endowment	-	728	728
Reserve against pledges receivable	-	(1,252)	(1,252)
Appropriation of endowment assets for expenditures	<u>(2,108)</u>	<u>(15,489)</u>	<u>(17,597)</u>
Endowment net assets—end of year	<u>\$57,019</u>	<u>\$427,509</u>	<u>\$484,528</u>

Note: Endowment net assets include gross pledge receivables

Changes in endowment net assets for the year ended 30 June 2019, are as follows:

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
Endowment net assets—beginning of year	\$ 64,339	\$ 386,986	\$ 451,325
Contributions	1,611	22,876	24,487
Investment return	2,654	18,284	20,938
Transfer to trustee-designated Endowment funds	928	-	928
Conversion of split-interest agreements to Endowment	-	1,738	1,738
Modification to endowment agreements	(9,066)	(238)	(9,304)
Reserve against pledges receivable	-	(607)	(607)
Appropriation of endowment assets for expenditures	<u>(2,256)</u>	<u>(15,391)</u>	<u>(17,647)</u>
Endowment net assets—end of year	<u>\$ 58,210</u>	<u>\$ 413,648</u>	<u>\$ 471,858</u>

Note: Endowment net assets include gross pledge receivables

Endowment composition by net asset class as of 30 June 2020, is as follows:

	<b>Without Donor restriction</b>	<b>With Donor restriction</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$427,509	\$427,509
Trustee-designated endowment funds	<u>57,019</u>	<u>-</u>	<u>57,019</u>
Endowment net assets—end of year	<u>\$57,019</u>	<u>\$427,509</u>	<u>\$484,528</u>

Endowment composition by net asset class as of 30 June 2019, is as follows:

	<b>Without Donor restriction</b>	<b>With Donor restriction</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$413,648	\$413,648
Trustee-designated endowment funds	<u>58,210</u>	<u>-</u>	<u>58,210</u>
Endowment net assets—end of year	<u>\$58,210</u>	<u>\$413,648</u>	<u>\$471,858</u>

**Funds with Deficiencies**—From time to time, the fair value of assets associated with individual donor-restricted endowed funds may fall below the level that the donor or the Illinois UPMIFA requires the Foundation to retain as a fund of perpetual donation.

As of 30 June 2020 there are \$965 of deficiencies. As of 30 June 2019 no deficiencies of this nature exist.

## 8. BENEFIT PLANS

**401(k) Plan**—The Rotary International 401(k) Plan (the “401(k) Plan”) is a defined contribution plan. Employees voluntarily make contributions to the 401(k) Plan in amounts based on a percentage of their total compensation, up to a maximum of 50%, subject to limitations imposed by the IRS. Rotary International matches 100% of the first 1% and 50% of the next 5% contributed of the participant’s annual compensation. Rotary International also makes further contributions to the 401(k) Plan via a points-based contribution. The match and points-based contribution expense to Rotary was \$3,793 and \$3,727 for the years ended 30 June 2020 and 2019, respectively.

## 9. LEASING ARRANGEMENTS

As lessee, Rotary International leases certain office facilities. The future minimum lease commitments under these noncancelable operating leases as of 30 June 2020, are as follows:

<b>Years Ending June 2020</b>	
2021	\$ 1,259
2022	1,068
2023	764
2024	494
2025	529
Thereafter	<u>837</u>
Total future minimum rental expense	<u>\$ 4,951</u>

Rental expense was \$1,799 and \$2,567 for the years ended 30 June 2020 and 2019, respectively.

One Rotary Center is Rotary’s world headquarters office building in Evanston, Illinois, United States of America, owned by Rotary International. At 30 June 2020, 54% of One Rotary Center space was available for lease to third parties. Of the available space for lease, 99% was leased to third parties with terms ranging from one year to 20 years. Rental income is reported in services and other activities in the consolidated statements of activities. Future minimum rental income to be received on these noncancelable operating leases is as follows:

<b>Years Ending June 2020</b>	
2021	\$ 6,689
2022	6,602
2023	5,506
2024	4,640
2025	4,490
Thereafter	<u>25,530</u>
Total future minimum rental income	<u>\$53,457</u>

## 10. NET ASSETS

The components of Rotary's net assets as of 30 June 2020 and 2019, are as follows:

	<b>2020</b>	<b>2019</b>
Without donor restriction		
Undesignated	\$ 589,805	\$ 616,088
Trustee designated		
PolioPlus program	70,357	72,949
Operating reserve fund	71,362	77,738
Endowment Fund	57,019	58,210
Rotary grants	27	128
Board designated		
Convention expense reserve	9,243	10,177
Investment earnings reserve	6,023	6,023
Strategic initiatives reserve	1,269	601
Other board designated reserve	<u>606</u>	<u>128</u>
Total net assets without donor restriction	<u>805,711</u>	<u>842,042</u>
With donor restriction		
For Purpose and/or Passage of time:		
Endowment Fund earnings	\$ 67,389	\$ 89,844
Rotary grants	27,118	24,833
Endowment invested in Perpetuity:		
Annual fund	219,506	198,363
Rotary grants	138,077	122,587
PolioPlus program	1,258	1,037
Split-interest agreements	16,009	15,616
Other	<u>1,279</u>	<u>1,817</u>
Total net assets with donor restriction	<u>470,636</u>	<u>454,097</u>
Total net assets	<u>\$ 1,276,347</u>	<u>\$ 1,296,139</u>

Net assets released from restrictions by incurring expenses which satisfied donor restrictions, passage of time, or through modifications to endowment agreements for the years ended 30 June 2020 and 2019, are as follows:

	<b>2020</b>	<b>2019</b>
PolioPlus	\$ 132,894	\$ 128,636
Endowment Fund earnings appropriated for use	10,955	10,875
Rotary grants/other programs	37,875	27,208
Endowment modifications	-	239
Released due to passage of time	<u>2,199</u>	<u>2,644</u>
 Total	 <u>\$ 183,923</u>	 <u>\$ 169,602</u>

#### **11. THE BILL & MELINDA GATES FOUNDATION GRANT**

The Foundation has entered into grant agreements with the Bill & Melinda Gates Foundation ("BMGF") to support the global polio eradication initiative. In accordance with the grant agreements and all future addendums, the Foundation recognizes revenue when all contingencies to the grant are substantially met.

Pursuant to the agreements, BMGF provides a 2 to 1 match for new spending from non-BMGF funds, with a match of up to \$100,000 per calendar year, in calendar years 2018-2023. The Foundation recorded a \$100,000 award as revenue in fiscal year 2020 and a \$92,700 award as revenue in fiscal year 2019.

\* \* \* \* \*

## **SUPPLEMENTARY INFORMATION**

# ROTARY INTERNATIONAL

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION

AS OF 30 JUNE 2020

(In thousands of U.S. dollars)

	Rotary International	PPH	Infotech	Eliminating Entries	Association Subtotal	Foundation	Eliminating Entries	Consolidated Total
<b>ASSETS</b>								
ASSETS:								
Cash and cash equivalents—unrestricted and restricted	\$ 18,092	\$ 92	\$ 638	\$ -	\$ 18,822	\$ 41,819	\$ -	\$ 60,641
Club and other accounts receivable—net	8,199	-	746	-	8,945	1,343	-	10,288
Pledges receivable—net	-	-	-	-	-	17,927	-	17,927
Deferred charges, prepaid expenses, and other assets	7,790	48	160	-	7,998	3,231	-	11,229
Due from affiliates	3,111	-	993	(990)	3,114	-	(3,114)	-
Investments	91,977	5,339	-	(4,333)	92,983	1,148,795	-	1,241,778
Foreign currency contracts	-	-	-	-	-	-	-	-
Split-interest agreements	-	-	-	-	-	51,056	-	51,056
Property and equipment—net	52,268	-	413	-	52,681	-	-	52,681
<b>TOTAL ASSETS</b>	<b>\$ 181,437</b>	<b>\$ 5,479</b>	<b>\$ 2,950</b>	<b>\$ (5,323)</b>	<b>\$ 184,543</b>	<b>\$ 1,264,171</b>	<b>\$ (3,114)</b>	<b>\$ 1,445,600</b>
<b>LIABILITIES AND NET ASSETS</b>								
LIABILITIES:								
Accounts payable and accrued expenses	\$ 23,866	\$ 3,047	\$ 504	\$ 500	\$ 27,917	\$ -	\$ -	\$ 27,917
Split-interest agreements payable	-	-	-	-	-	34,954	-	34,954
Accrued program awards	-	-	-	-	-	98,061	-	98,061
Deferred revenue	6,861	-	-	-	6,861	1,460	-	8,321
Due to affiliates	951	518	21	(1,490)	-	3,114	(3,114)	-
Total liabilities	31,678	3,565	525	(990)	34,778	137,589	(3,114)	169,253
NET ASSETS:								
Unrestricted:								
Without donor restriction	149,759	1,914	2,425	(4,333)	149,765	655,946	-	805,711
With donor restriction	-	-	-	-	-	470,636	-	470,636
Total net assets	149,759	1,914	2,425	(4,333)	149,765	1,126,582	-	1,276,347
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 181,437</b>	<b>\$ 5,479</b>	<b>\$ 2,950</b>	<b>\$ (5,323)</b>	<b>\$ 184,543</b>	<b>\$ 1,264,171</b>	<b>\$ (3,114)</b>	<b>\$ 1,445,600</b>

# ROTARY INTERNATIONAL

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2019 (In thousands of U.S. dollars)

	Rotary International	PPH	Infotech	Eliminating Entries	Association Subtotal	Foundation	Eliminating Entries	Consolidated Total
<b>ASSETS</b>								
ASSETS:								
Cash and cash equivalents—unrestricted and restricted	\$ 16,400	\$ 159	\$ 417	\$ -	\$ 16,976	\$ 44,053	\$ -	\$ 61,029
Club and other accounts receivable—net	4,819	-	600	-	5,419	677	-	6,096
Pledges receivable—net	-	-	-	-	-	17,006	-	17,006
Deferred charges, prepaid expenses, and other assets	8,626	32	129	-	8,787	3,484	-	12,271
Due from affiliates	6,403	-	1,125	(1,129)	6,399	-	(6,399)	-
Investments	100,547	5,052	-	(3,679)	101,920	1,172,802	-	1,274,722
Split-interest agreements	-	-	-	-	-	47,511	-	47,511
Property and equipment—net	<u>44,682</u>	<u>-</u>	<u>547</u>	<u>-</u>	<u>45,229</u>	<u>-</u>	<u>-</u>	<u>45,229</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 181,477</u></b>	<b><u>\$ 5,243</u></b>	<b><u>\$ 2,818</u></b>	<b><u>\$(4,808)</u></b>	<b><u>\$ 184,730</u></b>	<b><u>\$ 1,285,533</u></b>	<b><u>\$(6,399)</u></b>	<b><u>\$ 1,463,864</u></b>
<b>LIABILITIES AND NET ASSETS</b>								
LIABILITIES:								
Accounts payable and accrued expenses	\$ 26,231	\$ 3,328	\$ 573	\$ 430	\$ 30,562	\$ 700	\$ -	\$ 31,262
Split-interest agreements payable	-	-	-	-	-	31,810	-	31,810
Accrued program awards	-	-	-	-	-	93,883	-	93,883
Deferred revenue	8,298	-	-	-	8,298	2,424	-	10,722
Foreign currency obligations	6	-	-	-	6	42	-	48
Due to affiliates	<u>1,083</u>	<u>455</u>	<u>21</u>	<u>(1,559)</u>	<u>-</u>	<u>6,399</u>	<u>(6,399)</u>	<u>-</u>
Total liabilities	<u>35,618</u>	<u>3,783</u>	<u>594</u>	<u>(1,129)</u>	<u>38,866</u>	<u>135,258</u>	<u>(6,399)</u>	<u>167,725</u>
NET ASSETS:								
Without donor restriction	145,859	1,460	2,224	(3,679)	145,864	696,178	-	842,042
With donor restriction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>454,097</u>	<u>-</u>	<u>454,097</u>
Total net assets	<u>145,859</u>	<u>1,460</u>	<u>2,224</u>	<u>(3,679)</u>	<u>145,864</u>	<u>1,150,275</u>	<u>-</u>	<u>1,296,139</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 181,477</u></b>	<b><u>\$ 5,243</u></b>	<b><u>\$ 2,818</u></b>	<b><u>\$(4,808)</u></b>	<b><u>\$ 184,730</u></b>	<b><u>\$ 1,285,533</u></b>	<b><u>\$(6,399)</u></b>	<b><u>\$ 1,463,864</u></b>

# ROTARY INTERNATIONAL

## CONSOLIDATING STATEMENT OF ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2020 (In thousands of U.S. dollars)

	Rotary International	PPH	Infotech	Eliminating Entries	Association Subtotal	Foundation	Eliminating Entries	Consolidated Total
REVENUES:								
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 337,193	\$ (2,435)	\$ 334,758
Split-interest agreements	-	-	-	-	-	1,558	-	1,558
Dues	82,205	-	-	-	82,205	-	-	82,205
Net investment return	2,838	287	10	-	3,135	4,458	-	7,593
Services and other activities	19,764	-	-	-	19,764	-	-	19,764
Other revenues—net	<u>245</u>	<u>798</u>	<u>3,262</u>	<u>(4,305)</u>	<u>-</u>	<u>(343)</u>	<u>-</u>	<u>(343)</u>
Total revenues	<u>105,052</u>	<u>1,085</u>	<u>3,272</u>	<u>(4,305)</u>	<u>105,104</u>	<u>342,866</u>	<u>(2,435)</u>	<u>445,535</u>
EXPENSES:								
Program awards and expenses:								
PolioPlus program	-	-	-	-	-	153,535	-	153,535
Rotary grants	-	-	-	-	-	152,710	-	152,710
Other programs	<u>50,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,924</u>	<u>21,426</u>	<u>(2,435)</u>	<u>69,915</u>
Total program awards and expenses	50,924	-	-	-	50,924	327,671	(2,435)	376,160
Developmental expenses	18,080	-	-	-	18,080	19,265	-	37,345
General administration	<u>30,541</u>	<u>631</u>	<u>2,907</u>	<u>(4,311)</u>	<u>29,768</u>	<u>14,597</u>	<u>-</u>	<u>44,365</u>
Total expenses	<u>99,545</u>	<u>631</u>	<u>2,907</u>	<u>(4,311)</u>	<u>98,772</u>	<u>361,533</u>	<u>(2,435)</u>	<u>457,870</u>
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITIES								
	5,507	454	365	6	6,332	(18,667)	-	(12,335)
FOREIGN CURRENCY EXCHANGE LOSSES								
	(2,267)	-	(164)	-	(2,431)	(2,651)	-	(5,082)
RESERVE AGAINST PLEDGES RECEIVABLE								
	-	-	-	-	-	(2,375)	-	(2,375)
EQUITY INVESTMENT IN SUBSIDIARY								
	<u>655</u>	<u>-</u>	<u>-</u>	<u>(655)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	3,895	454	201	(649)	3,901	(23,693)	-	(19,792)
NET ASSETS:								
Beginning of year	<u>145,864</u>	<u>1,460</u>	<u>2,224</u>	<u>(3,684)</u>	<u>145,864</u>	<u>1,150,275</u>	<u>-</u>	<u>1,296,139</u>
End of year	<u>\$ 149,759</u>	<u>\$ 1,914</u>	<u>\$ 2,425</u>	<u>\$ (4,333)</u>	<u>\$ 149,765</u>	<u>\$ 1,126,582</u>	<u>\$ -</u>	<u>\$ 1,276,347</u>

## ROTARY INTERNATIONAL

### CONSOLIDATING STATEMENT OF ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2019 (In thousands of U.S. dollars)

	Rotary International	PPH	Infotech	Eliminating Entries	Association Subtotal	Foundation	Eliminating Entries	Consolidated Total
REVENUES:								
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 320,058	\$ (265)	\$ 319,793
Split-interest agreements	-	-	-	-	-	1,843	-	1,843
Dues	77,713	-	-	-	77,713	-	-	77,713
Net investment return	1,801	283	8	-	2,092	37,975	-	40,067
Services and other activities	33,404	-	-	-	33,404	-	-	33,404
Other revenues—net	<u>284</u>	<u>817</u>	<u>2,980</u>	<u>(4,081)</u>	<u>-</u>	<u>640</u>	<u>-</u>	<u>640</u>
Total revenues	<u>113,202</u>	<u>1,100</u>	<u>2,988</u>	<u>(4,081)</u>	<u>113,209</u>	<u>360,516</u>	<u>(265)</u>	<u>473,460</u>
EXPENSES:								
Program awards and expenses:								
PolioPlus program	-	-	-	-	-	152,979	-	152,979
Rotary grants	-	-	-	-	-	136,788	-	136,788
Other programs	<u>57,613</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,613</u>	<u>11,599</u>	<u>-</u>	<u>69,212</u>
Total program awards and expenses	57,613	-	-	-	57,613	301,366	-	358,979
Developmental expenses	18,350	-	-	-	18,350	19,049	-	37,399
General administration	<u>31,287</u>	<u>1,002</u>	<u>2,653</u>	<u>(4,081)</u>	<u>30,861</u>	<u>14,790</u>	<u>(265)</u>	<u>45,386</u>
Total expenses	<u>107,250</u>	<u>1,002</u>	<u>2,653</u>	<u>(4,081)</u>	<u>106,824</u>	<u>335,205</u>	<u>(265)</u>	<u>441,764</u>
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITIES								
	5,952	98	335	-	6,385	25,311	-	31,696
FOREIGN CURRENCY EXCHANGE LOSSES	(540)	-	(77)	-	(617)	(661)	-	(1,278)
RESERVE AGAINST PLEDGES RECEIVABLE	-	-	-	-	-	(1,673)	-	(1,673)
EQUITY INVESTMENT IN SUBSIDIARY	<u>356</u>	<u>-</u>	<u>-</u>	<u>(356)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	5,768	98	258	(356)	5,768	22,977	-	28,745
NET ASSETS:								
Beginning of year	<u>140,096</u>	<u>1,362</u>	<u>1,966</u>	<u>(3,328)</u>	<u>140,096</u>	<u>1,127,298</u>	<u>-</u>	<u>1,267,394</u>
End of year	<u>\$ 145,864</u>	<u>\$ 1,460</u>	<u>\$ 2,224</u>	<u>\$ (3,684)</u>	<u>\$ 145,864</u>	<u>\$ 1,150,275</u>	<u>\$ -</u>	<u>\$ 1,296,139</u>

# ROTARY INTERNATIONAL

## ASSOCIATION ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2020 (In thousands of U.S. dollars)

REVENUES:		
Dues		\$ 82,205
Net investment return		3,135
Services and other activities		<u>19,764</u>
Total revenues		<u>105,104</u>
EXPENSES:		
Senior leader, governance, and executive		3,904
Programs and member services		24,718
Communications		13,979
Information Technology		9,197
Operations and administration		8,354
Finances		5,608
Strategy and enterprise projects		3,308
International operations		7,938
Human resources, legal, and audit		<u>3,439</u>
Total operating expenses		80,445
Services and other activities		15,892
Contribution to The Rotary Foundation		<u>2,435</u>
Total expenses		<u>98,772</u>
EXCESS REVENUE BEFORE NONOPERATING ACTIVITIES		<u>\$ 6,332</u>

	Revenue	Expense	Excess Revenue (Expense)
<b>SERVICES AND OTHER ACTIVITIES</b>			
COUNCIL ON LEGISLATION	\$ 380	\$ 380	\$ -
INTERNATIONAL CONVENTION	25	690	(665)
PSA CAMPAIGN	2,781	2,781	-
MAGAZINE	5,735	5,107	628
ONE ROTARY CENTER	7,529	5,227	2,302
PUBLICATIONS AND SUPPLIES	404	324	80
U.S. CLUBS INSURANCE PROGRAM	1,355	1,369	(14)
LICENSE FEES AND MISCELLANEOUS	<u>1,555</u>	<u>14</u>	<u>1,541</u>
TOTAL	<u>\$ 19,764</u>	<u>\$ 15,892</u>	<u>\$ 3,872</u>

# ROTARY INTERNATIONAL

## ASSOCIATION ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2019 (In thousands of U.S. dollars)

REVENUES:		
Dues		\$ 77,713
Net investment return		2,092
Services and other activities		<u>33,404</u>
Total revenues		<u>113,209</u>
EXPENSES:		
Senior leader, governance, and executive		5,037
Programs and member services		25,528
Communications		12,755
Polio, development, and partnerships		-
Information Technology		9,354
Operations and administration		8,158
Finances		5,183
Strategy and enterprise projects		2,260
International operations		7,915
Human resources, legal, and audit		<u>3,425</u>
Total operating expenses		79,615
Services and other activities		26,944
Contribution to The Rotary Foundation		<u>265</u>
Total expenses		<u>106,824</u>
EXCESS REVENUE BEFORE NONOPERATING ACTIVITIES		<u>\$ 6,385</u>

	Revenue	Expense	Excess Revenue (Expense)
<b>SERVICES AND OTHER ACTIVITIES</b>			
COUNCIL ON LEGISLATION	\$ 3,204	\$ 3,204	\$ -
INTERNATIONAL CONVENTION	13,057	11,960	1,097
MAGAZINE	5,908	5,081	827
ONE ROTARY CENTER	7,383	4,821	2,562
PUBLICATIONS AND SUPPLIES	314	368	(54)
U.S. CLUBS INSURANCE PROGRAM	1,340	1,340	-
LICENSE FEES AND MISCELLANEOUS	<u>2,198</u>	<u>170</u>	<u>2,028</u>
TOTAL	<u>\$ 33,404</u>	<u>\$ 26,944</u>	<u>\$ 6,460</u>