

Rotary International

Consolidated Financial Statements and
Supplementary Information as of and for the
Years Ended 30 June 2021 and 2020, and
Independent Auditors' Report

ROTARY INTERNATIONAL

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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 2021 and 2020, 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, 2021 and 2020, and the changes

in their net assets, functional expenses, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules listed in the table of contents are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of Rotary International, and are not a required part of the consolidated financial statements. The other 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. These schedules and information are the responsibility of Rotary International's management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such schedules and information have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such schedules and information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules and information are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Deloitte & Touche LLP

12 October 2021

ROTARY INTERNATIONAL

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 JUNE 2021 AND 2020 (In thousands of U.S. dollars)

	2021	2020
ASSETS		
ASSETS:		
Cash and cash equivalents <i>(includes restricted cash of \$9,803 and \$11,295)</i>	\$ 65,821	\$ 60,641
Club and other accounts receivable—net	4,089	10,288
Pledges receivable—net	17,841	17,927
Deferred charges, prepaid expenses, and other assets	11,560	11,229
Investments	1,402,185	1,241,778
Split-interest agreements	65,800	51,056
Property and equipment—net	<u>63,329</u>	<u>52,681</u>
TOTAL ASSETS	<u>\$ 1,630,625</u>	<u>\$ 1,445,600</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accrued program awards	\$ 99,704	\$ 98,061
Accounts payable and accrued expenses	31,639	27,917
Split-interest agreements payable	40,693	34,954
Deferred revenue	<u>7,640</u>	<u>8,321</u>
 Total liabilities	<u>179,676</u>	<u>169,253</u>
 NET ASSETS:		
Without donor restriction	832,768	805,711
With donor restriction	<u>618,181</u>	<u>470,636</u>
 Total net assets	<u>1,450,949</u>	<u>1,276,347</u>
 TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,630,625</u>	<u>\$ 1,445,600</u>

See accompanying notes to the consolidated financial statements.

ROTARY INTERNATIONAL

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2021 (In thousands of U.S. dollars)

	Without Donor Restriction	With Donor Restriction	Total
REVENUES:			
Contributions	\$ 145,285	\$ 200,705	\$ 345,990
Split-interest agreements - contributions	-	1,065	1,065
Dues	81,794	-	81,794
Net investment return	53,147	132,146	185,293
Services and other activities	20,896	-	20,896
Split- interest agreements and other activities—net	140	8,091	8,231
Net assets released from restrictions	<u>193,703</u>	<u>(193,703)</u>	<u>-</u>
Total revenues	<u>494,965</u>	<u>148,304</u>	<u>643,269</u>
EXPENSES:			
Program awards and expenses	395,084	-	395,084
Development expenses	34,917	-	34,917
General administration	<u>41,289</u>	<u>-</u>	<u>41,289</u>
Total expenses	<u>471,290</u>	<u>-</u>	<u>471,290</u>
CHANGE IN NET ASSETS BEFORE NONOPERATING ACTIVITIES	23,675	148,304	171,979
FOREIGN CURRENCY EXCHANGE GAINS (LOSSES)	3,887	(5)	3,882
RESERVE AGAINST PLEDGES RECEIVABLE	<u>(505)</u>	<u>(754)</u>	<u>(1,259)</u>
CHANGE IN NET ASSETS	27,057	147,545	174,602
NET ASSETS—Beginning of year	<u>805,711</u>	<u>470,636</u>	<u>1,276,347</u>
NET ASSETS—End of year	<u>\$ 832,768</u>	<u>\$ 618,181</u>	<u>\$ 1,450,949</u>

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 - contributions	-	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
Split-interest agreements and other activities—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 FUNCTIONAL EXPENSES FOR THE YEAR ENDED 30 JUNE 2021 (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	\$ 152,852	\$ 167,110	\$ 12,830	\$ 332,792	\$ -	\$ -	\$ 332,792
Salaries, benefits, and payroll taxes	845	12,730	18,996	32,571	19,638	23,152	75,361
External services	562	1,239	2,666	4,467	2,491	4,622	11,580
Volunteer reimbursements	-	-	6,254	6,254	782	842	7,878
Travel	3	19	41	63	48	44	155
Conferences, conventions, and meetings	-	1	1,064	1,065	338	108	1,511
Media and public relations	2	45	2,563	2,610	406	2,462	5,478
Information technology and communications	61	2,600	2,475	5,136	3,150	3,273	11,559
Publications and printing	-	4	730	734	471	272	1,477
Postage, shipping, and freight	2	61	1,301	1,364	1,378	540	3,282
Donor recognition	-	-	7	7	925	6	938
Cost of sales	-	-	2	2	2	1	5
Occupancy	26	1,107	5,338	6,471	3,359	3,928	13,758
Insurance, finance fees, and taxes	1	62	1,061	1,124	1,683	1,613	4,420
General office and miscellaneous	4	169	251	424	246	426	1,096
TOTAL EXPENSES BY NATURAL CLASSIFICATION	\$ 154,358	\$ 185,147	\$ 55,579	\$ 395,084	\$ 34,917	\$ 41,289	\$ 471,290
EXPENSE BY ACTIVITY:							
Association activities	\$ -	\$ -	\$ 42,749	\$ 42,749	\$ 16,867	\$ 28,035	\$ 87,651
Foundation activities	154,358	185,147	12,830	352,335	18,050	13,254	383,639
	\$ 154,358	\$ 185,147	\$ 55,579	\$ 395,084	\$ 34,917	\$ 41,289	\$ 471,290

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
TOTAL EXPENSES BY NATURAL CLASSIFICATION	\$ 153,535	\$ 152,710	\$ 69,915	\$ 376,160	\$ 37,345	\$ 44,365	\$ 457,870
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
	\$ 153,535	\$ 152,710	\$ 69,915	\$ 376,160	\$ 37,345	\$ 44,365	\$ 457,870

See accompanying notes to the consolidated financial statements.

ROTARY INTERNATIONAL

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 30 JUNE 2021 AND 2020 (In thousands of U.S. dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 174,602	\$ (19,792)
Adjustments to reconcile change in net assets to net cash flows used in operating activities:		
Endowment Fund contributions	(28,542)	(36,839)
Contributed securities	(21)	17
Foreign currency translation losses	(3,990)	4,979
Realized and unrealized (gains)/losses on investments—net	(170,449)	9,777
Losses on disposal of property and equipment	48	7
Depreciation and amortization	6,464	6,040
Change in fair value of foreign currency hedges	-	(48)
Changes in operating assets and liabilities:		
Pledges receivable—net	(2,120)	888
Deferred charges, prepaid expenses, and other assets	(331)	1,042
Split-interest agreements	(14,744)	(3,545)
Club and other accounts receivable—net	6,199	(4,192)
Accrued program awards	1,643	4,178
Accounts payable and accrued expenses	3,722	(3,470)
Split-interest agreements payable	5,739	3,144
Deferred revenue	(681)	(2,401)
Net cash (used in) operating activities	<u>(22,461)</u>	<u>(40,215)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(394,887)	(1,162,310)
Proceeds from sale of investments	423,346	1,175,074
Purchase of property and equipment	(17,160)	(13,374)
Change in short-term investments	<u>(18,396)</u>	<u>10,386</u>
Net cash (used in) provided by investing activities	<u>(7,097)</u>	<u>9,776</u>
CASH FLOWS FROM FINANCING ACTIVITIES—Proceeds from contributions restricted for investment in Endowment Fund		
	<u>30,748</u>	<u>35,030</u>
Net cash provided by financing activities	<u>30,748</u>	<u>35,030</u>
EFFECT OF EXCHANGE RATES ON CASH	<u>3,990</u>	<u>(4,979)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,180	(388)
CASH AND CASH EQUIVALENTS—including restricted—beginning of year	<u>60,641</u>	<u>61,029</u>
CASH AND CASH EQUIVALENTS—including restricted—end of year	<u>\$ 65,821</u>	<u>\$ 60,641</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 2021 AND 2020

(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, strengthen local economies and support the environment. In addition, the Foundation has established associate foundations in Australia, Brazil, Canada, Germany, India, Japan, Korea 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 had domestic balances exceeding the Federal Deposit Insurance Corporation’s insured limitations at 30 June 2021 and 2020. Rotary believes it is not exposed to significant credit risk on cash and cash equivalents. Rotary maintains foreign and domestic cash accounts, including cash and cash equivalents subject to certain repatriation restrictions imposed by local governments. These amounts are presented as restricted cash on the statement of financial position.

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.

Contributions 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 between 0.6% and 10%, 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 2021 or 2020.

Accrued Program Awards—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. The Foundation records the full amount of program awards upon specific designation of award recipients in the year for which they are 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 2021 and 2020, 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 receivables are recognized at fair value at the date the promise is received. Associated contributions receivable for revenue from contributions are recorded after being discounted to the anticipated net present value of the future cash flows.

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 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 2021 and 2020, the net club and other accounts receivable was \$4,089 and \$10,288, and the allowance for doubtful accounts was \$584 and \$202 respectively.

Revenues derived from services and other activities, such as the Rotary magazine, council on legislation and international conventions are recognized upon satisfaction of the respective performance obligations associated with each of them. Any revenue paid in advance are deferred to the period in which the underlying sale or event takes place. At 30 June 2021 and 2020 deferred revenue from services and other activities was \$7,248 and \$6,861 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 2021 and 2020.

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; however, the last three taxable years remain open to federal and state audit

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 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.

Upcoming Accounting Pronouncement Not Yet Adopted—In February 2016, the FASB issued Accounting Standards Update (“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. Management is still evaluating the impact that this adoption will have on the financial statements.

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. Management is still evaluating the impact that this adoption will have on the financial statements.

Subsequent Events—

Management considered subsequent events through 12 October 2021, 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:

	2021	2020
Cash and cash equivalents	\$ 65,821	\$ 60,641
Club and other accounts receivables—net	3,699	9,788
Pledges receivable expected within one year (Note 4)	11,464	11,826
Pooled cash and cash equivalents (Note 5)	3,736	-
Non-pooled cash and cash equivalents (Note 5)	<u>82,995</u>	<u>82,529</u>
Total	<u>\$ 167,715</u>	<u>\$ 164,784</u>

“Club and other accounts receivable – net” on the Statement of Financial Position as of 30 June 2021 includes a \$390 loan, which does not mature until 2022 and is therefore excluded from balance above. The balance of this loan as of 30 June 2020 was \$500.

The assets above include \$2,982 and \$2,569 in donor-advised funds as of 30 June 2021 and 2020, respectively. The Foundation generally uses these assets for grantmaking based on donor recommendations.

The Foundation's Endowment Fund consists of donor-restricted endowments of \$569,559 and \$427,509 and a Trustee-designated endowment of \$71,539 and \$57,019 as of 30 June 2021 and 2020, 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 \$17,597 from the Endowment Fund will be available within the next 12 months as of 30 June 2021 and 2020, 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 \$77,444 and \$71,362 as of 30 June 2021 and 2020, respectively.

4. PLEDGES RECEIVABLE-NET

Pledges receivables, net at 30 June 2021 and 2020, are summarized as follows:

	2021	2020
Total pledges receivable	\$ 21,025	\$ 21,309
Less adjustments to present value of future cash flows for pledges receivable	(398)	(556)
Less allowance for uncollectible pledges receivable	<u>(2,786)</u>	<u>(2,826)</u>
Pledges receivable—net	<u>\$ 17,841</u>	<u>\$ 17,927</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 0.26% to 2.40%.

Payments on pledges receivable at 30 June 2021, are expected to be received as follows:

30-Jun

2022	\$ 11,464
2023	4,984
2024	3,205
2025	<u>1,372</u>
Total	<u>\$ 21,025</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, donor-advised funds, and assets associated with split-interest agreements. Investments are separated into distinct portfolios, each with a specific objective and investment policy, and are invested in pooled investment funds and individual securities. 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—Valuations derived from valuation techniques in which one or more significant inputs are not observable.

Investments Measured at Net Asset Value ("NAV")—Investments that establish fair value using the NAV per share or its equivalent as a practical expedient.

The categorization of a financial instrument or asset 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.

Invested cash and cash equivalents includes money market mutual funds and other short term investments and are stated at fair value based on quoted market prices. Invested cash and short term investments are generally categorized as Level 1 in the hierarchy table.

Equity securities traded on a national securities exchange are stated at the last reported sale price on the date of valuation, and therefore categorized as level 1 in the hierarchy table. 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 and other fixed income instruments are generally valued by third-party pricing services using prices for comparable securities and are categorized as Level 2 except for bond exchange-traded funds that are categorized as Level 2.

Investments in pooled investments include, but are not limited to, registered investment companies and private investment funds. Registered investment companies holding equity securities or bonds and fixed income instruments are valued based on the NAV reported as of the last business day of the fiscal year and classified as Level 1. Pooled investment funds other than registered investment companies are generally recorded at the estimated fair value based on the NAV. Investments in private investment funds, 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.

The investments valued at NAV or its equivalent, such as member units or an ownership interest in partners' capital, are a practical expedient to estimate fair values of private equity, natural resource, real estate, hedge and balanced funds, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

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 U.S. 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. At 30 June 2021, there are no financial instruments or assets classified as Level 3.

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 2021:

	Measured at NAV or Equivalent	Level 1	Level 2	Level 3	Total
Pooled investments:					
Cash and cash equivalents	\$ -	\$ 3,736	\$ -	\$ -	\$ 3,736
Equity investments/securities	241,478	3,353	-	-	244,831
Fixed income investments/ securities	167,165	44,499	-	-	211,664
Private Equity Funds	65,974	-	-	-	65,974
Natural resources	7,806	-	-	-	7,806
Real estate	86,434	-	-	-	86,434
Hedge funds	157,910	-	-	-	157,910
Balanced funds	17,304	-	-	-	17,304
	<u>744,071</u>	<u>51,588</u>	<u>-</u>	<u>-</u>	<u>795,659</u>
Total pooled investments					
Nonpooled investments:					
Cash and cash equivalents	-	82,995	-	-	82,995
Equity investments/securities	-	111,997	-	-	111,997
Fixed income investments/ securities	-	65,195	346,339	-	411,534
	<u>-</u>	<u>260,187</u>	<u>346,339</u>	<u>-</u>	<u>606,526</u>
Total nonpooled investments					
Total investments at fair value	<u>\$ 744,071</u>	<u>\$ 311,775</u>	<u>\$ 346,339</u>	<u>\$ -</u>	<u>\$ 1,402,185</u>
Split-interest agreements:					
Cash and cash equivalents	\$ -	\$ 1,082	\$ -	\$ -	\$ 1,082
Equity investments/securities	-	48,304	-	-	48,304
Fixed income investments/securities	-	16,414	-	-	16,414
	<u>-</u>	<u>65,800</u>	<u>-</u>	<u>-</u>	<u>65,800</u>
Total split-interest agreements at fair value					
	<u>\$ -</u>	<u>\$ 65,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,800</u>

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:

	Measured at NAV or Equivalent	Level 1	Level 2	Level 3	Total
Pooled investments:					
Equity investments/securities	\$ 183,366	\$ 2,751	\$ -	\$ -	\$ 186,117
Fixed income investments/ securities	137,386	100,084	-	-	237,470
Private equity 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	15,610	-	-	-	15,610
Total pooled investments	<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	-	63,452	345,792	-	409,244
Total nonpooled investments	<u>-</u>	<u>212,839</u>	<u>362,790</u>	<u>-</u>	<u>575,629</u>
Total investments at fair value	<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	-	-	-	100	100
Total split-interest agreements at fair value	<u>\$ -</u>	<u>\$ 50,956</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 51,056</u>

Fair value estimates for funds reported at NAV or its equivalent as a practical expedient at 30 June 2021, are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency *	Redemption Notice Period
Open-ended funds	\$ 538,766	\$ -	D/M/Q/A	up to 90 days
Closed-ended funds	<u>205,305</u>	<u>90,644</u>	N/A	N/A
Total	<u>\$ 744,071</u>	<u>\$ 90,644</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 2020, are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency *	Redemption Notice Period
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

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 2021 and 2020, 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 2021 and 2020, are as follows:

	2021	2020
Interest and dividends	\$ 19,706	\$ 21,781
Realized gains—net	20,405	20,740
Unrealized gains (losses)—net	150,044	(30,517)
Investment and banking fees	<u>(4,862)</u>	<u>(4,411)</u>
Total	<u>\$ 185,293</u>	<u>\$ 7,593</u>

6. PROPERTY AND EQUIPMENT

The components of property and equipment, net as of 30 June 2021 and 2020, are as follows:

	2021	2020
Property and equipment:		
Land	\$ 2,231	\$ 2,231
Building and building improvements	93,676	90,321
Furniture and equipment	5,115	5,011
Data processing equipment and software projects	<u>74,784</u>	<u>61,854</u>
Total property and equipment	175,806	159,417
Less accumulated depreciation and amortization	<u>(112,477)</u>	<u>(106,736)</u>
Total	<u>\$ 63,329</u>	<u>\$ 52,681</u>

Depreciation and amortization expense for the years ended 30 June 2021 and 2020, was \$6,464 and \$6,040, 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 2021 and 2020, 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 2021, are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets—beginning of year	\$ 57,019	\$ 427,509	\$ 484,528
Contributions	3,037	28,542	31,579
Investment return	13,644	132,499	146,143
Transfer to trustee-designated Endowment funds	776	-	776
Conversion of split-interest agreements to Endowment	-	154	154
Modification to endowment agreements	(450)		(450)
Reserve against pledges receivable		(507)	(507)
Appropriation of endowment assets for expenditures	<u>(2,487)</u>	<u>(18,638)</u>	<u>(21,125)</u>
Endowment net assets—end of year	<u>\$ 71,539</u>	<u>\$ 569,559</u>	<u>\$ 641,098</u>

Note: Endowment net assets include gross pledge receivables

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

	Without Donor Restriction	With Donor Restriction	Total
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>

Endowment composition by net asset class as of 30 June 2021, is as follows:

	Without Donor restriction	With Donor restriction	Total
Donor-restricted endowment funds	\$ -	\$ 569,559	\$ 569,559
Trustee-designated endowment funds	<u>71,539</u>	<u>-</u>	<u>71,539</u>
Endowment net assets—end of year	<u>\$ 71,539</u>	<u>\$ 569,559</u>	<u>\$ 641,098</u>

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

	Without Donor restriction	With Donor restriction	Total
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>

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 2021 there are no deficiencies. As of 30 June 2020 there were \$965 of deficiencies.

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 \$4,027 and \$3,793 for the years ended 30 June 2021 and 2020, 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 2021, are as follows:

Years Ending	
2022	\$ 1,392
2023	1,063
2024	812
2025	848
2026	543
Thereafter	<u>317</u>
Total future minimum rental expense	<u>\$ 4,975</u>

Rental expense was \$1,808 and \$1,799 for the years ended 30 June 2021 and 2020, 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 2021, 54% of One Rotary Center space was available for lease to third parties. Of the available space for lease, 98% 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 as of 30 June 2021, are as follows:

Years Ending	
2022	\$ 6,804
2023	5,675
2024	4,757
2025	4,687
2026	4,071
Thereafter	<u>22,431</u>
Total future minimum rental income	<u>\$ 48,425</u>

10. NET ASSETS

The components of Rotary's net assets as of 30 June 2021 and 2020, are as follows:

	2021	2020
Without donor restriction		
Undesignated	\$ 599,951	\$ 589,805
Trustee designated:		
PolioPlus program	65,989	70,357
Operating reserve fund	77,444	71,362
Endowment Fund	71,539	57,019
Rotary grants	-	27
Board designated:		
Convention expense reserve	8,009	9,243
Investment earnings reserve	6,023	6,023
Strategic initiatives reserve	1,113	1,269
Other board designated reserve	<u>2,700</u>	<u>606</u>
 Total net assets without donor restriction	 <u>832,768</u>	 <u>805,711</u>
 With donor restriction		
For Purpose and/or Passage of time:		
Endowment Fund earnings	\$ 181,251	\$ 67,389
Rotary grants	23,612	27,118
Endowment invested in Perpetuity:		
Annual fund	239,637	219,506
Rotary grants	146,509	138,077
PolioPlus program	1,257	1,258
Split-interest agreements	25,010	16,009
Other	<u>905</u>	<u>1,279</u>
 Total net assets with donor restriction	 <u>618,181</u>	 <u>470,636</u>
 Total net assets	 <u>\$ 1,450,949</u>	 <u>\$ 1,276,347</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 2021 and 2020, are as follows:

	2021	2020
PolioPlus	\$ 133,266	\$ 132,894
Endowment Fund earnings appropriated for use	12,469	10,955
Rotary grants/other programs	46,201	37,875
Released due to passage of time	<u>1,767</u>	<u>2,199</u>
 Total	 <u>\$ 193,703</u>	 <u>\$ 183,923</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 contribution 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 contribution revenue in fiscal year 2021 and 2020 upon meeting the matching conditions.

* * * * *

SUPPLEMENTARY INFORMATION

ROTARY INTERNATIONAL

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

AS OF 30 JUNE 2021

(In thousands of U.S. dollars)

	Rotary International	PPH	Infotech	Eliminating Entries	Association Subtotal	Foundation	Eliminating Entries	Consolidated Total
ASSETS								
ASSETS:								
Cash and cash equivalents—unrestricted and restricted	\$ 17,039	\$ 42	\$ 269	\$ -	\$ 17,350	\$ 48,471	\$ -	\$ 65,821
Club and other accounts receivable—net	3,181	-	615	-	3,796	293	-	4,089
Pledges receivable—net	-	-	-	-	-	17,841	-	17,841
Deferred charges, prepaid expenses, and other assets	8,038	48	158	-	8,244	3,316	-	11,560
Due from affiliates	4,106	-	1,298	(1,314)	4,090	-	(4,090)	-
Investments	99,950	5,807	-	(5,091)	100,666	1,301,519	-	1,402,185
Split-interest agreements	-	-	-	-	-	65,800	-	65,800
Property and equipment—net	62,340	-	989	-	63,329	-	-	63,329
TOTAL ASSETS	\$ 194,654	\$ 5,897	\$ 3,329	\$ (6,405)	\$ 197,475	\$ 1,437,240	\$ (4,090)	\$ 1,630,625
LIABILITIES AND NET ASSETS								
LIABILITIES:								
Accrued program awards	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,704	\$ -	\$ 99,704
Accounts payable and accrued expenses	25,511	2,971	606	501	29,589	2,050	-	31,639
Split-interest agreements payable	-	-	-	-	-	40,693	-	40,693
Deferred revenue	7,248	-	-	-	7,248	392	-	7,640
Due to affiliates	1,257	537	21	(1,815)	-	4,090	(4,090)	-
Total liabilities	34,016	3,508	627	(1,314)	36,837	146,929	(4,090)	179,676
NET ASSETS:								
Unrestricted:								
Without donor restriction	160,638	2,389	2,702	(5,091)	160,638	672,130	-	832,768
With donor restriction	-	-	-	-	-	618,181	-	618,181
Total net assets	160,638	2,389	2,702	(5,091)	160,638	1,290,311	-	1,450,949
TOTAL LIABILITIES AND NET ASSETS	\$ 194,654	\$ 5,897	\$ 3,329	\$ (6,405)	\$ 197,475	\$ 1,437,240	\$ (4,090)	\$ 1,630,625

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
ASSETS								
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
TOTAL ASSETS	\$ 181,437	\$ 5,479	\$ 2,950	\$ (5,323)	\$ 184,543	\$ 1,264,171	\$ (3,114)	\$ 1,445,600
LIABILITIES AND NET ASSETS								
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
TOTAL LIABILITIES AND NET ASSETS	\$ 181,437	\$ 5,479	\$ 2,950	\$ (5,323)	\$ 184,543	\$ 1,264,171	\$ (3,114)	\$ 1,445,600

ROTARY INTERNATIONAL

CONSOLIDATING STATEMENT OF ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2021 (In thousands of U.S. dollars)

	Rotary International	PPH	Infotech	Eliminating Entries	Association Subtotal	Foundation	Eliminating Entries	Consolidated Total
REVENUES:								
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 353,685	\$ (7,695)	\$ 345,990
Split-interest agreements - contributions	-	-	-	-	-	1,065	-	1,065
Dues	81,794	-	-	-	81,794	-	-	81,794
Net investment return	2,721	267	1	-	2,989	182,304	-	185,293
Services and other activities	20,896	-	-	-	20,896	-	-	20,896
Split-interest and other activities—net	246	817	3,314	(4,377)	-	8,231	-	8,231
Total revenues	105,657	1,084	3,315	(4,377)	105,679	545,285	(7,695)	643,269
EXPENSES:								
Program awards and expenses:								
PolioPlus program	-	-	-	-	-	154,358	-	154,358
Rotary grants	-	-	-	-	-	185,147	-	185,147
Other programs	50,444	-	-	-	50,444	12,830	(7,695)	55,579
Total program awards and expenses	50,444	-	-	-	50,444	352,335	(7,695)	395,084
Developmental expenses	16,867	-	-	-	16,867	18,050	-	34,917
General administration	28,816	609	2,987	(4,377)	28,035	13,254	-	41,289
Total expenses	96,127	609	2,987	(4,377)	95,346	383,639	(7,695)	471,290
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITIES	9,530	475	328	-	10,333	161,646	-	171,979
FOREIGN CURRENCY EXCHANGE LOSSES	591	-	(51)	-	540	3,342	-	3,882
RESERVE AGAINST PLEDGES RECEIVABLE	-	-	-	-	-	(1,259)	-	(1,259)
EQUITY INVESTMENT IN SUBSIDIARY	758	-	-	(758)	-	-	-	-
CHANGE IN NET ASSETS	10,879	475	277	(758)	10,873	163,729	-	174,602
NET ASSETS:								
Beginning of year	149,759	1,914	2,425	(4,333)	149,765	1,126,582	-	1,276,347
End of year	\$ 160,638	\$ 2,389	\$ 2,702	\$ (5,091)	\$ 160,638	\$ 1,290,311	\$ -	\$ 1,450,949

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 - contributions	-	-	-	-	-	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
Split-interest agreements and other activities—net	245	798	3,262	(4,305)	-	(343)	-	(343)
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	50,924	-	-	-	50,924	21,426	(2,435)	69,915
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	30,541	631	2,907	(4,311)	29,768	14,597	-	44,365
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	655	-	-	(655)	-	-	-	-
CHANGE IN NET ASSETS	3,895	454	201	(649)	3,901	(23,693)	-	(19,792)
NET ASSETS:								
Beginning of year	145,864	1,460	2,224	(3,684)	145,864	1,150,275	-	1,296,139
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

ASSOCIATION ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2021 (In thousands of U.S. dollars)

REVENUES:		
Dues		\$ 81,794
Net investment return		2,989
Services and other activities		<u>20,896</u>
Total revenues		<u>105,679</u>
EXPENSES:		
Senior leader, governance, and executive		2,340
Programs and member services		17,869
Communications		11,921
Information Technology		11,365
Operations and administration		7,951
Finances		5,601
Strategy and enterprise projects		1,274
International operations		7,727
Human resources, legal, and audit		<u>3,125</u>
Total operating expenses		69,173
Services and other activities		18,478
Contribution to The Rotary Foundation		<u>7,695</u>
Total expenses		<u>95,346</u>
EXCESS REVENUE BEFORE NONOPERATING ACTIVITIES		<u>\$ 10,333</u>

	Revenue	Expense	Excess Revenue (Expense)
SERVICES AND OTHER ACTIVITIES			
COUNCIL ON LEGISLATION	\$ 371	\$ 371	\$ -
INTERNATIONAL CONVENTION	798	2,223	(1,425)
PSA CAMPAIGN	3,796	3,796	-
MAGAZINE	5,410	4,962	448
ONE ROTARY CENTER	7,851	5,878	1,973
PUBLICATIONS AND SUPPLIES	7	3	4
U.S. CLUBS INSURANCE PROGRAM	1,559	1,605	(46)
LICENSE FEES AND MISCELLANEOUS	<u>1,104</u>	<u>(360)</u>	<u>1,464</u>
TOTAL	<u>\$ 20,896</u>	<u>\$ 18,478</u>	<u>\$ 2,418</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)
SERVICES AND OTHER ACTIVITIES			
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>