

Rotary International

Consolidated Financial Statements and
Supplementary Information as of and for the
Years Ended 30 June 2023 and 2022, and
Independent Auditor's Report

ROTARY INTERNATIONAL

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Rotary International:

Opinion

We have audited the consolidated financial statements of Rotary International, which comprise the consolidated statements of financial position as of 30 June 2023 and 2022, 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 (collectively, referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Rotary International as of 30 June 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rotary International's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are

considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 the Rotary International's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rotary International's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating schedules listed on the table of contents are presented for the purpose of additional analysis of the financial statements rather than to present the financial position, results of operations, and association activities of Rotary International, and are not a required part of the financial statements. These schedules and information are the responsibility of the Rotary International's management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such schedules and information have been subjected to the auditing procedures applied in our audits of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, such schedules information are fairly stated in all material respects in relation to the financial statements as a whole.

Deloitte & Touche LLP

07 November 2023

ROTARY INTERNATIONAL

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 JUNE 2023 AND 2022 (In thousands of U.S. dollars)

	2023	2022
ASSETS		
ASSETS:		
Cash and cash equivalents (includes restricted cash of \$26,202 and \$27,463)	\$ 72,140	\$ 75,276
Club and other accounts receivable—net	4,391	3,938
Contributions receivable—net	34,762	20,934
Deferred charges, prepaid expenses, and other assets	21,298	13,772
Investments	1,390,687	1,332,374
Split-interest agreements	62,811	55,224
Property and equipment—net	55,731	58,746
TOTAL ASSETS	\$ 1,641,820	\$ 1,560,264
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accrued program awards	\$ 64,977	\$ 70,801
Accounts payable and accrued expenses	33,936	28,586
Split-interest agreements payable	39,555	36,583
Deferred revenue	9,747	9,468
Other liabilities	3,622	-
Total liabilities	151,837	145,438
NET ASSETS:		
Without donor restriction	817,041	802,432
With donor restriction	672,942	612,394
Total net assets	1,489,983	1,414,826
TOTAL LIABILITIES AND NET ASSETS	\$ 1,641,820	\$ 1,560,264

See accompanying notes to the consolidated financial statements.

ROTARY INTERNATIONAL

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2023 (In thousands of U.S. dollars)

	Without Donor Restriction	With Donor Restriction	Total
REVENUES:			
Contributions	\$ 144,281	\$ 219,481	\$ 363,762
Split-interest agreements—contributions	-	2,661	2,661
Dues	84,427	-	84,427
Net investment return	17,306	42,020	59,326
Services and other activities	22,168	-	22,168
Gifts in kind	12,762	-	12,762
Split-interest agreements and other revenues—net	270	2,227	2,497
Change in donor restrictions	(6,174)	6,174	-
Net assets released from restrictions	<u>210,497</u>	<u>(210,497)</u>	<u>-</u>
Total revenues	<u>485,537</u>	<u>62,066</u>	<u>547,603</u>
EXPENSES:			
Program awards and expenses	370,779	-	370,779
Development expenses	46,327	-	46,327
General administration	<u>49,308</u>	<u>-</u>	<u>49,308</u>
Total expenses	<u>466,414</u>	<u>-</u>	<u>466,414</u>
CHANGE IN NET ASSETS BEFORE NONOPERATING ACTIVITIES	19,123	62,066	81,189
FOREIGN CURRENCY EXCHANGE (LOSSES)	(4,489)	-	(4,489)
RESERVE AGAINST CONTRIBUTIONS RECEIVABLE	<u>(25)</u>	<u>(1,518)</u>	<u>(1,543)</u>
CHANGE IN NET ASSETS	14,609	60,548	75,157
NET ASSETS—Beginning of year	<u>802,432</u>	<u>612,394</u>	<u>1,414,826</u>
NET ASSETS—End of year	<u>\$ 817,041</u>	<u>\$ 672,942</u>	<u>\$ 1,489,983</u>

See accompanying notes to the consolidated financial statements.

ROTARY INTERNATIONAL

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2022 (In thousands of U.S. dollars)

	Without Donor Restriction	With Donor Restriction	Total
REVENUES:			
Contributions	\$ 147,512	\$ 224,496	\$ 372,008
Split-interest agreements—contributions	-	822	822
Dues	82,207	-	82,207
Net investment return	(9,948)	(55,945)	(65,893)
Services and other activities	22,963	-	22,963
Gifts in kind	3,381	-	3,381
Split-interest agreements and other revenues—net	393	(5,842)	(5,449)
Change in donor restrictions	(3,218)	3,218	-
Net assets released from restrictions	<u>171,436</u>	<u>(171,436)</u>	<u>-</u>
Total revenues	<u>414,726</u>	<u>(4,687)</u>	<u>410,039</u>
EXPENSES:			
Program awards and expenses	350,766	-	350,766
Development expenses	40,661	-	40,661
General administration	<u>46,046</u>	<u>-</u>	<u>46,046</u>
Total expenses	<u>437,473</u>	<u>-</u>	<u>437,473</u>
CHANGE IN NET ASSETS BEFORE NONOPERATING ACTIVITIES	(22,747)	(4,687)	(27,434)
FOREIGN CURRENCY EXCHANGE (LOSSES)	(7,103)	-	(7,103)
RESERVE AGAINST CONTRIBUTIONS RECEIVABLE	<u>(486)</u>	<u>(1,100)</u>	<u>(1,586)</u>
CHANGE IN NET ASSETS	(30,336)	(5,787)	(36,123)
NET ASSETS—Beginning of year	<u>832,768</u>	<u>618,181</u>	<u>1,450,949</u>
NET ASSETS—End of year	<u>\$ 802,432</u>	<u>\$ 612,394</u>	<u>\$ 1,414,826</u>

See accompanying notes to the consolidated financial statements.

ROTARY INTERNATIONAL

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED 30 JUNE 2023 (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:							
Programs	\$156,530	\$ 89,699	\$ 32,555	\$278,784	\$ -	\$ -	\$278,784
Staffing resources	913	12,170	21,262	34,345	23,738	25,805	83,888
Professional fees	681	2,206	4,090	6,977	3,763	5,035	15,775
Travel	160	686	5,508	6,354	1,647	4,541	12,542
Marketing, communications & publications	7	11	15,158	15,176	1,429	1,080	17,685
Event	20	78	7,369	7,467	1,412	1,028	9,907
Information technology	67	3,059	3,425	6,551	4,099	4,089	14,739
Postage & shipping	4	67	1,466	1,537	2,217	521	4,275
Recognition	3	20	18	41	1,187	1	1,229
Occupancy	30	1,316	4,360	5,706	3,179	3,030	11,915
Taxes	-	-	71	71	40	43	154
Claims handling & underwriting	2	92	1,138	1,232	(69)	1,413	2,576
Volunteer travel	-	-	5,642	5,642	1,095	1,685	8,422
Office equipment and supplies	7	297	388	692	452	440	1,584
Other expenses	1	22	181	204	2,138	597	2,939
TOTAL EXPENSES BY NATURAL CLASSIFICATION	<u>\$158,425</u>	<u>\$109,723</u>	<u>\$102,631</u>	<u>\$370,779</u>	<u>\$46,327</u>	<u>\$49,308</u>	<u>\$466,414</u>
EXPENSE BY ACTIVITY:							
Association activities	-	-	\$ 70,076	\$ 70,076	\$20,838	\$31,953	\$122,867
Foundation activities	158,425	109,723	32,555	300,703	25,489	17,355	343,547
	<u>\$158,425</u>	<u>\$109,723</u>	<u>\$102,631</u>	<u>\$370,779</u>	<u>\$46,327</u>	<u>\$49,308</u>	<u>\$466,414</u>

See accompanying notes to the consolidated financial statements.

ROTARY INTERNATIONAL

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED 30 JUNE 2022 (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:							
Programs	\$150,461	\$107,313	\$15,686	\$273,460	\$ -	\$ -	\$273,460
Staffing resources	844	11,840	20,625	33,309	21,665	25,461	80,435
Professional fees	697	1,595	3,918	6,210	3,312	5,095	14,617
Travel	63	432	2,669	3,164	901	3,223	7,288
Marketing, communications & publications	3	167	5,512	5,682	1,298	1,175	8,155
Event	26	81	7,525	7,632	1,766	963	10,361
Information technology	69	3,185	3,395	6,649	3,906	4,358	14,913
Postage & shipping	1	69	1,269	1,339	880	506	2,725
Recognition	2	17	15	34	1,001	5	1,040
Occupancy	26	1,175	4,322	5,523	3,049	1,290	9,862
Taxes	2	71	64	137	78	318	533
Claims handling & underwriting	-	-	907	907	55	862	1,824
Volunteer travel	-	-	5,931	5,931	1,151	1,770	8,852
Office equipment and supplies	5	231	311	547	395	355	1,297
Other expenses	-	33	209	242	1,204	665	2,111
TOTAL EXPENSES BY NATURAL CLASSIFICATION	<u>\$152,199</u>	<u>\$126,209</u>	<u>\$72,358</u>	<u>\$350,766</u>	<u>\$40,661</u>	<u>\$46,046</u>	<u>\$437,473</u>
EXPENSE BY ACTIVITY:							
Association activities	\$ -	\$ -	\$56,672	\$ 56,672	\$19,397	\$30,970	\$107,039
Foundation activities	<u>152,199</u>	<u>126,209</u>	<u>15,686</u>	<u>294,094</u>	<u>21,264</u>	<u>15,076</u>	<u>330,434</u>
	<u>\$152,199</u>	<u>\$126,209</u>	<u>\$72,358</u>	<u>\$350,766</u>	<u>\$40,661</u>	<u>\$46,046</u>	<u>\$437,473</u>

See accompanying notes to the consolidated financial statements.

ROTARY INTERNATIONAL

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 30 JUNE 2023 AND 2022 (In thousands of U.S. dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 75,157	\$ (36,123)
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities:		
Endowment Fund contributions	(31,234)	(43,503)
Foreign currency translation unrealized losses	4,940	5,797
Realized and unrealized (gains)/losses on investments—net	(36,462)	78,993
Losses on disposal of property and equipment	1,795	-
Depreciation and amortization	8,301	9,511
Amortization of leases	1,167	-
Changes in operating assets and liabilities:		
Contributions receivable—net	(12,057)	(3,867)
Deferred charges, prepaid expenses, and other assets	(14,783)	(2,213)
Split-interest agreements	(7,587)	10,576
Club and other accounts receivable—net	(453)	151
Accrued program awards	(5,824)	(28,903)
Accounts payable and accrued expenses	5,350	(3,053)
Split-interest agreements payable	2,972	(4,110)
Deferred revenue	279	1,828
Other liabilities	9,712	-
Net cash provided by operating activities	<u>1,273</u>	<u>(14,916)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(778,983)	(859,507)
Proceeds from sale of investments	719,564	910,840
Purchase of property and equipment	(7,081)	(4,928)
Change in short-term investments	37,568	(60,514)
Net cash used in investing activities	<u>(28,932)</u>	<u>(14,109)</u>
CASH FLOWS FROM FINANCING ACTIVITIES—Proceeds from contributions restricted for investment in Endowment Fund	<u>29,463</u>	<u>44,277</u>
Net cash provided by financing activities	<u>29,463</u>	<u>44,277</u>
EFFECT OF EXCHANGE RATES ON CASH	<u>(4,940)</u>	<u>(5,797)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	(3,136)	9,455
CASH AND CASH EQUIVALENTS—Including restricted—beginning of year	<u>75,276</u>	<u>65,821</u>
CASH AND CASH EQUIVALENTS—Including restricted—end of year	<u>\$ 72,140</u>	<u>\$ 75,276</u>
SUPPLEMENTAL INFORMATION:		
Right of use lease assets	<u>\$ 6,090</u>	<u>\$ -</u>
Lease liabilities arising from obtaining right of use assets	<u>\$ (6,090)</u>	<u>\$ -</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 2023 AND 2022

(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 37,000 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 2023 and 2022. 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 consolidated 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. 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 contributions ranging from one year to 10 years. Management makes judgments regarding the outstanding contributions and ultimate collectability of these receivables. Contributions 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 (“ASC”) 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, at 30 June. 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 2023 or 2022.

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 and Endowment Fund (see Note 7). The Operating reserve fund supports the Foundation’s operating expenses in the event that current-year investment earnings and other funding sources 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 2023 and 2022, 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 contributions 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.

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.

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 flow.

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 one-year membership period, which is 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 2023 and 2022, the net club and other accounts receivable was \$4,391 and \$3,938, and the allowance for doubtful accounts was \$253 and \$362, respectively.

Revenues derived from services and other activities, such as the Rotary magazine, council on legislation and international conventions are recognized at the point-in-time the satisfaction of the respective performance obligations associated with each of them occur. Any revenue paid in advance are deferred to the period in which the underlying sale or event takes place. At 30 June 2023 and 2022 deferred revenue from services and other activities was \$6,475 and \$6,337, respectively.

Contributed nonfinancial assets—Rotary recognized contributed nonfinancial assets within revenue for donated media advertising time. Contributed nonfinancial assets did not have donor-imposed restrictions. These gifts are intended to be used by Rotary and the fair value is determined when the items are initially received.

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 2023 and 2022.

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.

Adopted Accounting Pronouncement—

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.

Rotary adopted ASU 2016-02 on 01 July 2022 using the effective date as the date of initial application. Results for the year ended 30 June 2023 are presented under ASU 2016-02. Comparative period information prior to the effective date continues to be presented in accordance with its historic accounting under the previous lease guidance, ASC 840, *Leases* ("Topic 840").

Rotary opted to elect the package of transition practical expedients that permits it to not reassess its prior conclusions for any expired or existing contracts at the application date of ASC 842, about lease identification, lease classification, and initial direct costs. Rotary also elected the practical expedient provided to lessees to not separate lease and non-lease components for all leases, and the practical expedient to not recognize a right-of-use asset and lease liability for leases with a term of 12 months or less. Upon adoption as of 01 July 2022, Rotary recognized operating lease right-of-use assets and lease

liabilities amounting to \$5,940 and \$6,090, respectively, within the consolidated statements of financial position. At 30 June 2023, the operating lease right-of-use assets are \$4,773 and are in deferred charges, prepaid expenses and other assets, the current lease liability is \$1,343 and is in accounts payable and accrued expenses and the non-current portion is \$3,622 and is in other liabilities within the consolidated statements of financial position. There was not a material impact to Rotary's consolidated statements of activities and changes in net assets upon adoption. See Note 9 for additional information.

Subsequent Events—Management considered subsequent events through 7 November 2023, 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 International considers all expenditures related to its operations to be general expenditures and maintains operating cash and cash equivalents sufficient to meet daily operating needs. Financial assets more than daily cash needs are invested in short-term investments. Rotary International also maintains a reserve portfolio invested primarily in fixed income securities.

The Foundation considers all expenditures related to its programs and fund development and general administration expenses that support those program-related activities to be general expenditures. The Foundation regularly monitors the liquidity required to meet its daily operating needs and manages its financial assets to provide the liquidity necessary for operations. The Foundation receives contributions restricted and/or designated by donors and considers contributions restricted for programs that are ongoing and central to its annual operations to be available to meet cash needs for general expenditures.

The Foundation's financial assets include cash, cash equivalents and investments. Investments are comprised of:

- (1) an endowment fund that consists of donor-restricted endowed funds and board-designated, quasi-endowed funds invested for long-term growth,
- (2) split-interest agreements that are not available to support current operations,
- (3) donor-advised funds that are generally disbursed according to the recommendation of the donor, and
- (4) operating assets that are held and invested for a certain amount of time commensurate with the investment objective.

The following table reflects the consolidated financial assets as of 30 June 2023 and 2022 reduced for amounts that are not available to meet general expenditures within one year of the consolidated statement of financial position date:

	2023	2022
Cash and cash equivalents—including restricted	\$ 72,140	\$ 75,276
Club and other accounts receivables—net	4,391	3,938
Contributions receivable expected within one year	27,257	13,555
Appropriations from endowed funds	24,656	25,837
Investments	<u>1,390,687</u>	<u>1,332,374</u>
 Total financial assets	 1,519,131	 1,450,980
 Donor-restricted endowments—net of appropriations	 (583,827)	 (534,619)
Internal designations:		
Designated assets	(226,753)	(220,132)
Board-designated endowments—net of appropriations	(71,645)	(64,337)
Donor-advised funds	(36,657)	(37,835)
Operating investments with liquidity restrictions greater than 1 year	<u>(171,653)</u>	<u>(115,827)</u>
 Total	 <u>\$ 428,596</u>	 <u>\$ 478,230</u>

Board-designated, quasi-endowed, and donor-advised funds are unrestricted net assets, but the Foundation does not intend to spend from these funds unless it is necessary. The availability of these funds is subject to investment liquidity restrictions.

4. CONTRIBUTIONS RECEIVABLE—NET

Contributions receivables, net at 30 June 2023 and 2022, are summarized as follows:

	2023	2022
Total contributions receivable	\$40,006	\$ 24,707
Less adjustments to present value of future cash flows for contributions receivable	(1,117)	(480)
Less allowance for uncollectible contributions receivable	<u>(4,127)</u>	<u>(3,293)</u>
 Contributions receivable—net	 <u>\$34,762</u>	 <u>\$ 20,934</u>

The discount rates used to determine the present value of contributions receivable represent the risk-free interest rates applicable to the years in which the promises are received and range from 0.26% to 4.11%.

Payments on contributions receivable at 30 June 2023 are expected to be received as follows:

30-Jun

2024	\$ 27,257
2025	7,365
2026	3,693
2027	<u>1,691</u>
Total	<u>\$ 40,006</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.

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 2023 and 2022, 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 2023:

	Measured at NAV or Equivalent	Level 1	Level 2	Level 3	Total
Pooled investments:					
Equity investments/securities	\$273,820	\$ 3,646	\$ -	\$ -	\$ 277,466
Fixed income investments/securities	132,755	24,685	-	-	157,440
Private equity funds	79,587	-	-	-	79,587
Natural resources	5,440	-	-	-	5,440
Real estate	123,274	-	-	-	123,274
Hedge funds	217,226	-	-	-	217,226
Balanced funds	<u>20,892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,892</u>
Total pooled investments	<u>852,994</u>	<u>28,331</u>	<u>-</u>	<u>-</u>	<u>881,325</u>
Nonpooled investments:					
Cash and cash equivalents	-	149,748	-	-	149,748
Equity investments/securities	-	53,741	-	-	53,741
Fixed income investments/securities	<u>-</u>	<u>49,448</u>	<u>256,425</u>	<u>-</u>	<u>305,873</u>
Total nonpooled investments	<u>-</u>	<u>252,937</u>	<u>256,425</u>	<u>-</u>	<u>509,362</u>
Total investments at fair value	<u>\$852,994</u>	<u>\$281,268</u>	<u>\$256,425</u>	<u>\$ -</u>	<u>\$1,390,687</u>
Split-interest agreements:					
Cash and cash equivalents	\$ -	\$ 1,621	\$ -	\$ -	\$ 1,621
Equity investments/securities	-	41,515	-	-	41,515
Fixed income investments/securities	-	19,071	-	-	19,071
Real estate	<u>-</u>	<u>604</u>	<u>-</u>	<u>-</u>	<u>604</u>
Total split-interest agreements at fair value	<u>\$ -</u>	<u>\$ 62,811</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,811</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 2022:

	Measured at NAV or Equivalent	Level 1	Level 2	Level 3	Total
Pooled investments:					
Equity investments/securities	\$229,157	\$ 2,846	\$ -	\$ -	\$ 232,003
Fixed income investments/securities	125,669	26,594	-	-	152,263
Private equity funds	73,926	-	-	-	73,926
Natural resources	6,154	-	-	-	6,154
Real estate	107,165	-	-	-	107,165
Hedge funds	162,165	-	-	-	162,165
Balanced funds	16,940	-	-	-	16,940
Total pooled investments	<u>721,176</u>	<u>29,440</u>	<u>-</u>	<u>-</u>	<u>750,616</u>
Nonpooled investments:					
Cash and cash equivalents	-	193,654	-	-	193,654
Equity investments/securities	-	77,377	-	-	77,377
Fixed income investments/securities	<u>-</u>	<u>51,896</u>	<u>258,831</u>	<u>-</u>	<u>310,727</u>
Total nonpooled investments	<u>-</u>	<u>322,927</u>	<u>258,831</u>	<u>-</u>	<u>581,758</u>
Total investments at fair value	<u>\$721,176</u>	<u>\$352,367</u>	<u>\$258,831</u>	<u>\$ -</u>	<u>\$1,332,374</u>
Split-interest agreements:					
Cash and cash equivalents	\$ -	\$ 1,027	\$ -	\$ -	\$ 1,027
Equity investments/securities	-	37,662	-	-	37,662
Fixed income investments/securities	<u>-</u>	<u>16,535</u>	<u>-</u>	<u>-</u>	<u>16,535</u>
Total split-interest agreements at fair value	<u>\$ -</u>	<u>\$ 55,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,224</u>

Fair value estimates for funds reported at NAV or its equivalent as a practical expedient at 30 June 2023, are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency *	Redemption Notice Period
Open-ended funds	\$ 547,697	\$ -	D/M/Q/A	Up to 90 days
Closed-ended funds	<u>305,297</u>	<u>142,285</u>	N/A	N/A
Total	<u>\$ 852,994</u>	<u>\$ 142,285</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 2022, are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency *	Redemption Notice Period
Open-ended funds	\$ 454,916	\$ -	D/M/Q/A	Up to 90 days
Closed-ended funds	<u>266,260</u>	<u>135,330</u>	N/A	N/A
Total	<u>\$ 721,176</u>	<u>\$ 135,330</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 2023 and 2022, 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 2023 and 2022, are as follows:

	2023	2022
Interest and dividends	\$ 27,269	\$ 18,324
Realized gains—net	6,174	49,549
Unrealized gains (losses)—net	30,288	(128,540)
Investment and banking fees	<u>(4,405)</u>	<u>(5,226)</u>
Total	<u>\$ 59,326</u>	<u>\$ (65,893)</u>

6. PROPERTY AND EQUIPMENT

The components of property and equipment, net as of 30 June 2023 and 2022, are as follows:

	2023	2022
Property and equipment:		
Land	\$ 2,231	\$ 2,231
Building and building improvements	96,959	95,725
Furniture and equipment	5,080	5,155
Data processing equipment and software projects	<u>81,102</u>	<u>77,015</u>
Total property and equipment	185,372	180,126
Less accumulated depreciation and amortization	<u>(129,641)</u>	<u>(121,380)</u>
Total	<u>\$ 55,731</u>	<u>\$ 58,746</u>

Depreciation and amortization expense for the years ended 30 June 2023 and 2022, was \$11,024 ~~\$10,976~~ and \$9,511, 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 2023 and 2022, 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 2023, are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets—beginning of year	\$ 64,337	\$ 534,619	\$ 598,956
Contributions	3,611	27,960	31,571
Investment return	5,192	42,021	47,213
Transfer to trustee-designated endowment funds	784	2,273	3,057
Conversion of split-interest agreements to endowment	-	714	714
Reserve against contributions receivable	635	(779)	(144)
Appropriation of endowment assets for expenditures	<u>(2,914)</u>	<u>(22,981)</u>	<u>(25,895)</u>
Endowment net assets—end of year	<u>\$ 71,645</u>	<u>\$ 583,827</u>	<u>\$ 655,472</u>

Changes in endowment net assets for the year ended 30 June 2022, are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets—beginning of year	\$ 71,539	\$ 569,559	\$ 641,098
Contributions	4,077	50,043	54,120
Investment return	(7,097)	(55,945)	(63,042)
Transfer to trustee-designated endowment funds	304	1,589	1,893
Conversion of split-interest agreements to endowment	-	1,476	1,476
Reserve against contributions receivable	(1,329)	(7,934)	(9,263)
Appropriation of endowment assets for expenditures	<u>(3,157)</u>	<u>(24,169)</u>	<u>(27,326)</u>
Endowment net assets—end of year	<u>\$ 64,337</u>	<u>\$ 534,619</u>	<u>\$ 598,956</u>

Endowment composition by net asset class as of 30 June 2023, is as follows:

	Without Donor restriction	With Donor restriction	Total
Donor-restricted endowment funds	\$ -	\$ 583,827	\$ 583,827
Trustee-designated endowment funds	<u>71,645</u>	<u>-</u>	<u>71,645</u>
Endowment net assets—end of year	<u>\$ 71,645</u>	<u>\$ 583,827</u>	<u>\$ 655,472</u>

Endowment composition by net asset class as of 30 June 2022, is as follows:

	Without Donor restriction	With Donor restriction	Total
Donor-restricted endowment funds	\$ -	\$ 534,619	\$ 534,619
Trustee-designated endowment funds	<u>64,337</u>	<u>-</u>	<u>64,337</u>
Endowment net assets—end of year	<u>\$ 64,337</u>	<u>\$ 534,619</u>	<u>\$ 598,956</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 2023 and 2022, there are \$1,671 and \$3,877 deficiencies, respectively.

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 \$4,007 and \$4,671 for the years ended 30 June 2023 and 2022, respectively.

9. LEASING ARRANGEMENTS

As lessee, Rotary International leases certain office facilities and equipment. The future minimum lease commitments under these noncancelable operating leases as of 30 June 2023, are as follows:

Years Ending

2024	\$ 1,465
2025	1,499
2026	1,251
2027	719
2028	279
Imputed interest	<u>(248)</u>
Total future minimum rental expense	<u>\$ 4,965</u>

As of 30 June 2023, Rotary's lease liability has weighted average remaining lease term of 3.7 years. Rotary has elected to use the risk-free rate because the lease implicit rate and its borrowing rate cannot be readily and reliably determined. As of 30 June 2023, the discount rate related to Rotary's lease liability was 3%.

Rental expense was \$2,356 and \$2,088 for the years ended 30 June 2023 and 2022, 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 2022, 54% of One Rotary Center space was available for lease to third parties. Of the available space for lease, 97% 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 2023, are as follows:

Years Ending

2024	\$ 6,770
2025	6,715
2026	6,070
2027	5,701
2028	5,408
Thereafter	<u>19,571</u>
Total future minimum rental income	<u>\$ 50,235</u>

10. NET ASSETS

The components of Rotary's net assets as of 30 June 2023 and 2022, are as follows:

	2023	2022
Without donor restriction:		
Undesignated	\$ 605,288	\$ 601,640
Trustee designated:		
PolioPlus program	40,726	38,371
Operating reserve fund	85,872	82,072
Endowment fund	71,645	64,337
Board designated:		
Convention expense reserve	5,766	6,504
Investment earnings reserve	5,323	5,323
Strategic initiatives reserve	1,000	946
Other board designated reserve	1,421	3,239
	<u>817,041</u>	<u>802,432</u>
Total net assets without donor restriction		
With donor restriction:		
For purpose and/or passage of time:		
PolioPlus program	26,262	25,331
Endowment fund earnings	119,857	101,208
Rotary grants	39,771	33,928
Endowment invested in perpetuity:		
Annual fund	303,227	282,114
Rotary grants	157,150	149,124
PolioPlus program	1,385	1,382
Split-interest agreements	23,083	18,516
Other	2,207	791
	<u>672,942</u>	<u>612,394</u>
Total net assets with donor restriction		
Total net assets	<u>\$ 1,489,983</u>	<u>\$ 1,414,826</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 2023 and 2022, are as follows:

	2023	2022
PolioPlus	\$ 147,201	\$ 107,142
Endowment fund earnings appropriated for use	17,302	18,759
Rotary grants/other programs	42,337	43,687
Released due to passage of time	3,657	1,848
	<u>210,497</u>	<u>171,436</u>
Total	<u>\$ 210,497</u>	<u>\$ 171,436</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 2018–2026. The Foundation recorded a \$110,000 and a \$100,000 award as contribution revenue in fiscal year 2023 and 2022, respectively, upon meeting the matching conditions.

* * * * *

SUPPLEMENTARY INFORMATION

ROTARY INTERNATIONAL

CONSOLIDATING STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2023 (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	\$ 11,105	\$ 167	\$1,434	\$ -	\$ 12,706	\$ 59,434	\$ -	\$ 72,140
Club and other accounts receivable—net	3,291	-	641	-	3,932	459	-	4,391
Contributions receivable—net	-	-	-	-	-	34,762	-	34,762
Deferred charges, prepaid expenses, and other assets	17,670	46	524	-	18,240	3,058	-	21,298
Due from affiliates	10,843	(461)	491	-	10,873	-	(10,873)	-
Investments	102,087	5,272	-	(6,528)	100,831	1,289,856	-	1,390,687
Split-interest agreements	-	-	-	-	-	62,811	-	62,811
Property and equipment—net	55,015	-	716	-	55,731	-	-	55,731
TOTAL ASSETS	<u><u>\$200,011</u></u>	<u><u>\$5,024</u></u>	<u><u>\$3,806</u></u>	<u><u>\$(6,528)</u></u>	<u><u>\$202,313</u></u>	<u><u>\$1,450,380</u></u>	<u><u>\$(10,873)</u></u>	<u><u>\$1,641,820</u></u>
LIABILITIES AND NET ASSETS								
LIABILITIES:								
Accrued program awards	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,977	\$ -	\$ 64,977
Accounts payable and accrued expenses	32,425	45	424	-	32,894	1,042	-	33,936
Split-interest agreements payable	-	-	-	-	-	39,555	-	39,555
Deferred revenue	6,957	2,390	-	-	9,347	400	-	9,747
Other liabilities	3,622	-	-	-	3,622	-	-	3,622
Due to affiliates	-	-	-	-	-	10,873	(10,873)	-
Total liabilities	<u><u>43,004</u></u>	<u><u>2,435</u></u>	<u><u>424</u></u>	<u><u>-</u></u>	<u><u>45,863</u></u>	<u><u>116,847</u></u>	<u><u>(10,873)</u></u>	<u><u>151,837</u></u>
NET ASSETS—Unrestricted:								
Without donor restriction	157,007	2,589	3,382	(6,528)	156,450	660,591	-	817,041
With donor restriction	-	-	-	-	-	672,942	-	672,942
Total net assets	<u><u>157,007</u></u>	<u><u>2,589</u></u>	<u><u>3,382</u></u>	<u><u>(6,528)</u></u>	<u><u>156,450</u></u>	<u><u>1,333,533</u></u>	<u><u>-</u></u>	<u><u>1,489,983</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$200,011</u></u>	<u><u>\$5,024</u></u>	<u><u>\$3,806</u></u>	<u><u>\$(6,528)</u></u>	<u><u>\$202,313</u></u>	<u><u>\$1,450,380</u></u>	<u><u>\$(10,873)</u></u>	<u><u>\$1,641,820</u></u>

ROTARY INTERNATIONAL

CONSOLIDATING STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2022 (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	\$ 19,260	\$ 195	\$1,107	\$ -	\$ 20,562	\$ 54,714	\$ -	\$ 75,276
Club and other accounts receivable—net	3,101	-	601	-	3,702	236	-	3,938
Contributions receivable—net	-	-	-	-	-	20,934	-	20,934
Deferred charges, prepaid expenses, and other assets	9,239	103	503	-	9,845	3,927	-	13,772
Due from affiliates	4,671	-	703	(1,193)	4,181	-	(4,181)	-
Investments	99,409	5,066	-	(5,364)	99,111	1,233,263	-	1,332,374
Split-interest agreements	-	-	-	-	-	55,224	-	55,224
Property and equipment—net	57,969	-	777	-	58,746	-	-	58,746
TOTAL ASSETS	<u><u>\$193,649</u></u>	<u><u>\$5,364</u></u>	<u><u>\$3,691</u></u>	<u><u>\$(6,557)</u></u>	<u><u>\$196,147</u></u>	<u><u>\$1,368,298</u></u>	<u><u>\$(4,181)</u></u>	<u><u>\$1,560,264</u></u>
LIABILITIES AND NET ASSETS								
LIABILITIES:								
Accrued program awards	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,801	\$ -	\$ 70,801
Accounts payable and accrued expenses	27,301	-	577	-	27,878	708	-	28,586
Split-interest agreements payable	-	-	-	-	-	36,583	-	36,583
Deferred revenue	6,447	2,566	-	-	9,013	455	-	9,468
Due to affiliates	642	530	21	(1,193)	-	4,181	(4,181)	-
Total liabilities	<u><u>34,390</u></u>	<u><u>3,096</u></u>	<u><u>598</u></u>	<u><u>(1,193)</u></u>	<u><u>36,891</u></u>	<u><u>112,728</u></u>	<u><u>(4,181)</u></u>	<u><u>145,438</u></u>
NET ASSETS—Unrestricted:								
Without donor restriction	159,259	2,268	3,093	(5,364)	159,256	643,176	-	802,432
With donor restriction	-	-	-	-	-	612,394	-	612,394
Total net assets	<u><u>159,259</u></u>	<u><u>2,268</u></u>	<u><u>3,093</u></u>	<u><u>(5,364)</u></u>	<u><u>159,256</u></u>	<u><u>1,255,570</u></u>	<u><u>-</u></u>	<u><u>1,414,826</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$193,649</u></u>	<u><u>\$5,364</u></u>	<u><u>\$3,691</u></u>	<u><u>\$(6,557)</u></u>	<u><u>\$196,147</u></u>	<u><u>\$1,368,298</u></u>	<u><u>\$(4,181)</u></u>	<u><u>\$1,560,264</u></u>

ROTARY INTERNATIONAL

CONSOLIDATING STATEMENT OF ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2023 (In thousands of U.S. dollars)

	Rotary International	PPH	Infotech	Eliminating Entries	Association Subtotal	Foundation	Eliminating Entries	Consolidated Total
REVENUES:								
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 363,842	\$ (80)	\$ 363,762
Split-interest agreements—contributions	-	-	-	-	-	2,661	-	2,661
Dues	84,427	-	-	-	84,427	-	-	84,427
Net investment return	1,119	119	10	-	1,248	58,078	-	59,326
Services and other activities	22,096	910	2,277	(3,115)	22,168	-	-	22,168
Gifts in kind	12,762	-	-	-	12,762	-	-	12,762
Split-interest and other activities—net	-	-	-	-	-	2,497	-	2,497
Total revenues	<u>120,404</u>	<u>1,029</u>	<u>2,287</u>	<u>(3,115)</u>	<u>120,605</u>	<u>427,078</u>	<u>(80)</u>	<u>547,603</u>
EXPENSES:								
Program awards and expenses:								
PolioPlus program	-	-	-	-	-	158,425	-	158,425
Rotary grants	-	-	-	-	-	109,723	-	109,723
Other programs	<u>70,156</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,156</u>	<u>32,555</u>	<u>(80)</u>	<u>102,631</u>
Total program awards and expenses	70,156	-	-	-	70,156	300,703	(80)	370,779
Developmental expenses	20,838	-	-	-	20,838	25,489	-	46,327
General administration	<u>32,296</u>	<u>708</u>	<u>2,064</u>	<u>(3,115)</u>	<u>31,953</u>	<u>17,355</u>	<u>-</u>	<u>49,308</u>
Total expenses	<u>123,290</u>	<u>708</u>	<u>2,064</u>	<u>(3,115)</u>	<u>122,947</u>	<u>343,547</u>	<u>(80)</u>	<u>466,414</u>
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITIES	(2,886)	321	223	-	(2,342)	83,531	-	81,189
FOREIGN CURRENCY EXCHANGE LOSSES	(530)	-	66	-	(464)	(4,025)	-	(4,489)
RESERVE AGAINST CONTRIBUTIONS RECEIVABLE	-	-	-	-	-	(1,543)	-	(1,543)
EQUITY INVESTMENT IN SUBSIDIARY	<u>1,164</u>	<u>-</u>	<u>-</u>	<u>(1,164)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	(2,252)	321	289	(1,164)	(2,806)	77,963	-	75,157
NET ASSETS:								
Beginning of year	<u>159,259</u>	<u>2,268</u>	<u>3,093</u>	<u>(5,364)</u>	<u>159,256</u>	<u>1,255,570</u>	<u>-</u>	<u>1,414,826</u>
End of year	<u>\$157,007</u>	<u>\$2,589</u>	<u>\$3,382</u>	<u>\$ (6,528)</u>	<u>\$156,450</u>	<u>\$1,333,533</u>	<u>\$ -</u>	<u>\$1,489,983</u>

ROTARY INTERNATIONAL

CONSOLIDATING STATEMENT OF ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2022 (In thousands of U.S. dollars)

	Rotary International	PPH	Infotech	Eliminating Entries	Association Subtotal	Foundation	Eliminating Entries	Consolidated Total
REVENUES:								
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 372,192	\$ (184)	\$ 372,008
Split-interest agreements—contributions	-	-	-	-	-	822	-	822
Dues	82,207	-	-	-	82,207	-	-	82,207
Net investment return	(2,093)	(335)	33	-	(2,395)	(63,498)	-	(65,893)
Services and other activities	23,084	-	-	-	23,084	-	-	23,084
Gifts in kind	3,381	-	-	-	3,381	-	-	3,381
Split-interest and other activities—net	<u>(20)</u>	<u>782</u>	<u>3,806</u>	<u>(4,568)</u>	<u>-</u>	<u>(5,570)</u>	<u>-</u>	<u>(5,570)</u>
Total revenues	<u>106,559</u>	<u>447</u>	<u>3,839</u>	<u>(4,568)</u>	<u>106,277</u>	<u>303,946</u>	<u>(184)</u>	<u>410,039</u>
EXPENSES:								
Program awards and expenses:								
PolioPlus program	-	-	-	-	-	152,199	-	152,199
Rotary grants	-	-	-	-	-	126,209	-	126,209
Other programs	<u>56,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,856</u>	<u>15,686</u>	<u>(184)</u>	<u>72,358</u>
Total program awards and expenses	56,856	-	-	-	56,856	294,094	(184)	350,766
Developmental expenses	19,397	-	-	-	19,397	21,264	-	40,661
General administration	<u>31,534</u>	<u>568</u>	<u>3,436</u>	<u>(4,568)</u>	<u>30,970</u>	<u>15,076</u>	<u>-</u>	<u>46,046</u>
Total expenses	<u>107,787</u>	<u>568</u>	<u>3,436</u>	<u>(4,568)</u>	<u>107,223</u>	<u>330,434</u>	<u>(184)</u>	<u>437,473</u>
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITIES	(1,228)	(121)	403	-	(946)	(26,488)	-	(27,434)
FOREIGN CURRENCY EXCHANGE LOSSES	(424)	-	(12)	-	(436)	(6,667)	-	(7,103)
RESERVE AGAINST CONTRIBUTIONS RECEIVABLE	-	-	-	-	-	(1,586)	-	(1,586)
EQUITY INVESTMENT IN SUBSIDIARY	<u>273</u>	<u>-</u>	<u>-</u>	<u>(273)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	(1,379)	(121)	391	(273)	(1,382)	(34,741)	-	(36,123)
NET ASSETS:								
Beginning of year	<u>160,638</u>	<u>2,389</u>	<u>2,702</u>	<u>(5,091)</u>	<u>160,638</u>	<u>1,290,311</u>	<u>-</u>	<u>1,450,949</u>
End of year	<u>\$159,259</u>	<u>\$2,268</u>	<u>\$3,093</u>	<u>\$ (5,364)</u>	<u>\$159,256</u>	<u>\$1,255,570</u>	<u>\$ -</u>	<u>\$1,414,826</u>

ROTARY INTERNATIONAL

ASSOCIATION ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2023 (In thousands of U.S. dollars)

REVENUES:

Dues	\$ 84,427
Net investment return	1,248
Services and other activities	<u>34,930</u>
Total revenues	<u>120,605</u>

EXPENSES:

Communications	13,655
Finance	6,426
General Counsel	1,659
Governance	1,273
Information technology	15,776
Operations and administration	7,938
Programs and member services	32,979
Senior leader support	3,075
Strategy, enterprise and engagement	1,284
Executive	<u>6,176</u>
Total operating expenses	90,241
Services and other activities	32,626
Contribution to The Rotary Foundation	<u>80</u>
Total expenses	<u>122,947</u>

EXCESS REVENUE BEFORE NONOPERATING ACTIVITIES \$ (2,342)

	Revenue	Expense	Excess Revenue (Expense)
Services and Other Activities			
COUNCIL ON LEGISLATION	\$ 516	\$ 518	\$ (2)
INTERNATIONAL CONVENTION	8,744	9,426	(682)
PSA CAMPAIGN	12,762	12,762	-
MAGAZINE	5,127	5,271	(144)
ONE ROTARY CENTER	4,329	3,086	1,243
PUBLICATIONS AND SUPPLIES	30	15	15
U.S. CLUBS INSURANCE PROGRAM	2,028	1,952	76
LICENSE FEES AND MISCELLANEOUS	<u>1,394</u>	<u>(404)</u>	<u>1,798</u>
TOTAL	<u>\$ 34,930</u>	<u>\$ 32,626</u>	<u>\$ 2,304</u>

ROTARY INTERNATIONAL

ASSOCIATION ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2022 (In thousands of U.S. dollars)

REVENUES:		
Dues		\$ 82,207
Net investment return		(2,395)
Services and other activities		<u>26,465</u>
Total revenues		<u>106,277</u>
EXPENSES:		
Communications		12,624
Finance		6,144
General Counsel		1,640
Governance		1,063
Information technology		16,046
Operations and administration		7,458
Programs and member services		25,112
Senior leader support		2,793
Strategy, enterprise and engagement		4,257
Executive		<u>5,151</u>
Total operating expenses		82,288
Services and other activities		24,751
Contribution to The Rotary Foundation		<u>184</u>
Total expenses		<u>107,223</u>
EXCESS REVENUE BEFORE NONOPERATING ACTIVITIES		<u>\$ (946)</u>

			Excess Revenue (Expense)
Services and Other Activities	Revenue	Expense	
COUNCIL ON LEGISLATION	\$ 3,090	\$ 3,090	\$ -
INTERNATIONAL CONVENTION	7,218	8,726	(1,507)
PSA CAMPAIGN	3,381	3,381	-
MAGAZINE	5,106	4,874	232
ONE ROTARY CENTER	4,390	2,975	1,415
PUBLICATIONS AND SUPPLIES	13	6	7
U.S. CLUBS INSURANCE PROGRAM	1,547	1,699	(152)
LICENSE FEES AND MISCELLANEOUS	<u>1,720</u>	<u>-</u>	<u>1,599</u>
TOTAL	<u>\$26,465</u>	<u>\$24,751</u>	<u>\$ 1,594</u>