Grant Thornton

Consolidated Financial Statements and Report of Independent Certified Public Accountants

Rotary International

30 June 2014 and 2013

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
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 2014 and 2013, 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 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.

Auditor's 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 the entity'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 the entity'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 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis, rather than to present the financial position, results of operations and cash flows of the individual entities, and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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 established by the American Institute of Certified Public Accountants. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Chicago, Illinois
30 October 2014

Rotary International
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
30 June 2014 and 2013
(In thousands of U.S. dollars)

ASSETS	2014	2013
ASSETS		
Cash and cash equivalents	$ 90,208	$ 50,512
Club and other accounts receivable, net	3,778	4,080
Pledges receivable, net	17,657	40,221
Deferred charges, prepaid expenses and other assets	7,705	7,381
Investments	1,019,801	919,581
Split-interest agreements	33,797	30,561
Property and equipment, net	38,030	39,741
TOTAL ASSETS	$ 1,210,976	$ 1,092,077
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable, accrued expenses and split-interest agreements payable	$ 50,559	$ 52,740
Accrued program awards	64,241	65,831
Deferred revenue	3,014	1,843
Pension obligation	399	10,672
Total liabilities	118,213	131,086
NET ASSETS		
Unrestricted	747,940	654,563
Temporarily restricted	83,461	71,715
Permanently restricted	261,362	234,713
Total net assets	1,092,763	960,991
TOTAL LIABILITIES AND NET ASSETS	$ 1,210,976	$ 1,092,077

The accompanying notes are an integral part of these statements.

Rotary International
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended 30 June 2014
(In thousands of U.S. dollars)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues				
Contributions	$ 122,387	$ 108,128	$ 23,723	$ 254,238
Dues	63,301	-	-	63,301
Net investment return	81,779	42,435	-	124,214
Services and other activities	26,335	-	-	26,335
Grants and other activities, net	222	2	3,044	3,268
Net assets released from restrictions	138,937	(138,819)	(118)	-
Total revenues	432,961	11,746	26,649	471,356
Expenses				
Program awards and expenses	308,559	-	-	308,559
Development expenses	15,988	-	-	15,988
General administration	25,709	-	-	25,709
Total expenses	350,256	-	-	350,256
Change in net assets before pension-related changes other than net periodic benefit cost	82,705	11,746	26,649	121,100
Pension-related changes other than net periodic benefit cost	10,672	-	-	10,672
Change in net assets	93,377	11,746	26,649	131,772
Net assets				
Beginning of year	654,563	71,715	234,713	960,991
End of year	$ 747,940	$ 83,461	$ 261,362	$ 1,092,763

The accompanying notes are an integral part of this statement.

Rotary International
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended 30 June 2013
(In thousands of U.S. dollars)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues				
Contributions	$ 119,004	$ 94,800	$ 20,392	$ 234,196
Dues	62,503	-	-	62,503
Net investment return	46,164	21,549	-	67,713
Services and other activities	26,667	-	-	26,667
Grants and other activities, net	196	-	795	991
Net assets released from restrictions	79,640	(79,038)	(602)	-
Total revenues	334,174	37,311	20,585	392,070
Expenses				
Program awards and expenses	251,400	-	-	251,400
Development expenses	17,684	-	-	17,684
General administration	27,054	-	-	27,054
Total expenses	296,138	-	-	296,138
Change in net assets before pension-related changes other than net periodic benefit cost	38,036	37,311	20,585	95,932
Pension-related changes other than net periodic benefit cost	6,298	-	-	6,298
Change in net assets	44,334	37,311	20,585	102,230
Net assets				
Beginning of year	610,229	34,404	214,128	858,761
End of year	$ 654,563	$ 71,715	$ 234,713	$ 960,991

The accompanying notes are an integral part of this statement.

Rotary International
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended 30 June 2014
(In thousands of U.S. dollars)

	Program awards and expenses				Supporting services		
	PolioPlus program	Rotary grants*	Other programs	Total program awards and expenses	Development expenses	General administration	Total expenses
Expenses by natural classification							
Program awards	$ 128,902	$ 74,153	$ 8,366	$ 211,421	$ -	$ -	$ 211,421
Salaries, benefits and payroll taxes	1,611	11,970	25,808	39,389	8,850	10,251	58,490
External services	215	1,596	4,963	6,774	1,322	1,613	9,709
Volunteer reimbursements	-	-	10,375	10,375	-	219	10,594
Travel	119	880	7,465	8,464	1,234	4,873	14,571
Conferences, conventions and meetings	13	99	6,988	7,100	412	1,570	9,082
Media and public relations	3	23	3,507	3,533	131	943	4,607
Information technology and communications	181	1,345	2,443	3,969	565	1,068	5,602
Publications and printing	6	45	1,858	1,909	478	422	2,809
Postage, shipping and freight	26	192	2,276	2,494	728	557	3,779
Donor recognition	-	-	198	198	750	12	960
Cost of sales	6	45	670	721	19	171	911
Occupancy	147	1,092	7,879	9,118	451	2,321	11,890
Insurance, finance fees and taxes	16	122	1,427	1,565	813	1,284	3,662
General office and miscellaneous	39	288	1,202	1,529	235	405	2,169
Total expenses by natural classification	$ 131,284	$ 91,850	$ 85,425	$ 308,559	$ 15,988	$ 25,709	$ 350,256
Expenses by activity							
Association activities	$ -	$ -	$ 77,019	$ 77,019	$ -	$ 20,620	$ 97,639
Foundation activities	131,284	91,850	8,406	231,540	15,988	5,089	252,617
	$ 131,284	$ 91,850	$ 85,425	$ 308,559	$ 15,988	$ 25,709	$ 350,256

* Effective 1 July 2013, with the global rollout of Rotary's new grant model, Rotary grants replaced Educational and Humanitarian programs.

The accompanying notes are an integral part of this statement.

Rotary International
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended 30 June 2013
(In thousands of U.S. dollars)

	Program awards and expenses						Supporting services		
	PolioPlus program	Humanitarian programs	Educational programs	Rotary grants	Other programs	Total program awards and expenses	Development expenses	General administration	Total expenses
Expenses by natural classification									
Program awards	$ 73,627	$ 45,527	$ 17,298	$ 17,992	$ 1,137	$ 155,581	$ -	$ -	$ 155,581
Salaries, benefits and payroll taxes	1,042	3,799	3,213	5,627	23,001	36,682	11,158	11,117	58,957
External services	600	474	437	536	4,043	6,090	1,121	3,972	11,183
Volunteer reimbursements	-	-	-	-	9,929	9,929	-	132	10,061
Travel	496	63	164	1,526	11,343	13,592	584	3,391	17,567
Conferences, conventions and meetings	18	8	8	79	8,211	8,324	437	165	8,926
Media and public relations	9	2	4	1	4,462	4,478	99	66	4,643
Information technology and communications	85	389	303	360	1,611	2,748	851	1,625	5,224
Publications and printing	94	11	18	35	2,159	2,317	249	184	2,750
Postage, shipping and freight	11	92	82	15	2,661	2,861	771	220	3,852
Donor recognition	-	-	-	-	-	-	776	-	776
Cost of sales	-	-	-	-	934	934	-	104	1,038
Occupancy	40	400	317	171	3,999	4,927	876	5,061	10,864
Insurance, finance fees and taxes	7	45	36	34	1,986	2,108	495	494	3,097
General office and miscellaneous	30	91	76	63	569	829	267	523	1,619
Total expenses by natural classification	$ 76,059	$ 50,901	$ 21,956	$ 26,439	$ 76,045	$ 251,400	$ 17,684	$ 27,054	$ 296,138
Expenses by activity									
Association activities	$ -	$ -	$ -	$ -	$ 74,891	$ 74,891	$ -	$ 22,403	$ 97,294
Foundation activities	76,059	50,901	21,956	26,439	1,154	176,509	17,684	4,651	198,844
	$ 76,059	$ 50,901	$ 21,956	$ 26,439	$ 76,045	$ 251,400	$ 17,684	$ 27,054	$ 296,138

The accompanying notes are an integral part of this statement.

Rotary International
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended 30 June 2014 and 2013
(In thousands of U.S. dollars)

	2014	2013
Cash flows from operating activities		
Change in net assets	$ 131,772	$ 102,230
Adjustments to reconcile change in net assets to net cash flows provided by operating activities		
Endowment Fund contributions	(22,748)	(19,643)
Contributed securities	(20)	(3,221)
Foreign currency translation (gains) losses	(546)	4,303
Realized gains on sale of investments, net	(33,540)	(33,194)
Unrealized gains on investments, net	(80,842)	(26,027)
Gains on disposal of property and equipment, net	(51)	-
Depreciation and amortization	7,008	6,101
Pension benefit	(10,273)	(6,298)
Changes in operating assets and liabilities		
Pledges receivable, net	22,890	(34,276)
Deferred charges, prepaid expenses and other assets	(324)	134
Split-interest agreements	(3,236)	(2,053)
Club and other accounts receivable, net	302	(635)
Accrued program awards	(1,590)	8,644
Accounts payable, accrued expenses and split-interest agreements payable	(2,190)	6,963
Deferred revenue	1,180	(1,821)
Net cash provided by operating activities	7,792	1,207
Cash flows from investing activities		
Purchase of investments	(869,987)	(541,354)
Proceeds from sale of investments	914,259	520,593
Purchase of property and equipment	(7,271)	(9,748)
Proceeds from sale of property and equipment	2,025	-
Change in short-term investments	(30,090)	10,163
Net cash provided by (used in) investing activities	8,936	(20,346)
Cash flows from financing activities		
Proceeds from contributions restricted for investment in Endowment Fund	22,422	19,063
Net cash provided by financing activities	22,422	19,063
Effect of exchange rate changes on cash	546	(4,303)
Increase (decrease) in cash and cash equivalents	39,696	(4,379)
Cash and cash equivalents, beginning of year	50,512	54,891
Cash and cash equivalents, end of year	$ 90,208	$ 50,512

The accompanying notes are an integral part of these statements.

NOTE A - 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 from members and friends of Rotary who support its mission. Using Rotary Foundation grants, Rotary's 34,000 clubs across the globe develop and carry out sustainable humanitarian projects and provide scholarships and professional training opportunities that promote peace, fight disease, provide clean water, sustain mothers and children, improve education, and strengthen local economies. In addition, the Foundation has established associate foundations in Australia, Brazil, Canada, Germany, India, Japan and the United Kingdom. The associate foundations provide local Rotarians and/or other donors with tax benefits for charitable contributions under the applicable laws in each country. The financial activities conducted by the associate foundations are included in the consolidated statements of financial position and the related consolidated statements of activities, functional expenses and cash flows. Operating revenue of the Foundation is derived primarily from contributions and investment income.

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

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

NOTE B - 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 significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

Use of Estimates

The preparation of 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 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. Cash equivalents consist of $17,202 and $5,863 as of 30 June 2014 and 2013, respectively. Rotary maintains foreign and domestic cash accounts, including cash and cash equivalents of $24,358 and $17,922 as of 30 June 2014 and 2013, respectively, subject to certain repatriation restrictions imposed by local governments. Rotary had domestic balances exceeding the Federal Deposit Insurance Corporation's insured limitations at 30 June 2014 and 2013. Rotary believes it is not exposed to significant credit risk on cash and cash equivalents.

Club and Other Accounts Receivable

Accounts receivable are primarily collectible from member clubs for association membership dues. Membership dues are payable at the beginning of each six-month period. Accounts receivable are stated at amounts due, net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. Rotary determines its allowance for doubtful accounts by considering a number of factors, including the length of time accounts receivable are past due, its previous loss history, and the individual or group's current ability to pay the obligation. Rotary writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Pledges Receivable

The Foundation receives unconditional multi-year pledges ranging from one to 10 years. Management makes assumptions 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 adjusted rate. As of 30 June 2014 and 2013, the present value discount is $208 and $319, respectively, and the allowance for uncollectible pledges is $253 and $162, respectively.

Investments

Investments are carried at fair value, except for certain equity and alternative investments. Fair value is the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The accounting guidance establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels.

Level 1 - Inputs are quoted prices in active markets for identical assets or liabilities that Rotary has access to on the measurement date. The quoted prices provide the most reliable evidence, except when a significant event occurs that may affect the fair value measurement.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for assets or liabilities, either directly or indirectly. Level 2 inputs include: quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield; and inputs that are derived from principally observable market data by correlation or other

means (market-corroborated inputs). Included in Level 2 are investments measured using a net asset value (NAV) per share, or its equivalent, that may be redeemed at that NAV at the date of the consolidated statements of financial position or in the near term, which is generally considered to be within 90 days.

Level 3 - One or more unobservable inputs, which are deemed significant to the determination of the fair value, for which there is little or no market data available. Unobservable inputs reflect Rotary's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) and are developed based on the best information available. Included in Level 3 are investments measured using NAV per share, or its equivalent, that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lock-up periods or other investment restrictions.

Certain equity and alternative investments totaling $154,035 and $154,359 at 30 June 2014 and 2013, respectively, are not based on quoted market prices (Level 3). Alternative investments include private equity, real estate and hedge funds, for which quoted market prices are not readily available. The estimated fair value of private equity and real estate investments is based on quarterly valuations and other data provided by external investment fund managers. The estimates are updated for capital calls and distributions, and other market activity for the most current fiscal quarter. Hedge funds are valued on a monthly basis. The valuations for these alternative investments involve appraisals, assumptions and methods that are reviewed by management.

Investments include assets of the Donor Advised Fund (DAF), which accepts irrevocable contributions and offers individuals and Rotary-affiliated groups the flexibility to recommend grants to either the Foundation or other unaffiliated Internal Revenue Service (IRS)-approved charities. Grants are subject to approval by the Foundation Trustees. Rotary recognizes revenue when assets are contributed to the DAF. Grants made to other organizations from the DAF are recorded as program awards.

Rotary maintains foreign and domestic investment accounts. There were no investment accounts subject to repatriation restrictions imposed by local governments as of 30 June 2014 and 2013.

Split-interest Agreements

The Foundation is the trustee or custodian, beneficiary and charitable remainderman of trusts and charitable annuities held for the benefit of others and the Foundation for various specified terms. These funds are held in charitable remainder unitrusts, a charitable gift annuity account and a pooled income fund. Assets received under these agreements are recorded at fair value and the contribution portion of these agreements is recognized as revenue when received. Liabilities incurred as a result of these agreements are measured based on the present value of the expected future payments to be made to the named beneficiaries using various discount rates and actuarial assumptions reflecting the terms of the agreements and the estimated time of receipt. The Foundation's policy is to perform a valuation of the split-interest agreement liabilities annually. The valuation adjustment for these liabilities as of 30 June 2014 and 2013 resulted in an expense of $1,563 and $2,067, respectively.

Endowments

The Foundation's endowment (known as the Endowment Fund) is composed of donor-restricted and trustee-designated endowment funds. The primary objective of the Endowment Fund is to support the programs of the Foundation in perpetuity. Endowment funds are recorded in accordance with the Illinois-approved Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation interprets UPMIFA as requiring that the historic value of the original donor-restricted endowment gift be preserved as of the gift date

unless there are explicit donor stipulations to the contrary. The portion of the endowment that must be maintained permanently, not expended or otherwise exhausted, is classified as permanently restricted net assets. A portion of the fund's earnings are classified as temporarily restricted net assets until they have been appropriated for expenditure by the Foundation and have met any purpose restrictions. The amount of the fund that is trustee-designated is classified as unrestricted net assets. A portion of the Endowment Fund's investment earnings are used to finance 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 expenses approved by the Foundation's Trustees.

The Foundation's Trustees have responsibility for formulating the Endowment Fund's investment policy. Funds are included in a consolidated endowment pool and invested in accordance with the investment policy approved by the Trustees and monitored by the Investment Committee. Assets of the Endowment Fund are invested to ensure that capital is preserved and enhanced over time. The investment policy for the Endowment Fund is to invest in a diversified asset portfolio that is expected to produce an average annual total return that at least equals inflation, plus endowment spending, without assuming undue risk.

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), and furniture and equipment (three to 10 years), data processing equipment and software projects (three or five years as appropriate). Significant renewals and replacements are capitalized, subject to a capitalization threshold minimum of $5. 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.

Accrued Program Awards

The Foundation records the full amount of program awards upon specific designation of award recipients in the year for which they are approved. Awards designated but not yet paid are included in accrued program awards in the accompanying consolidated statements of financial position.

Net Assets

Rotary classifies resources into three classes of net assets as follows:

Unrestricted - Net assets not subject to donor-imposed stipulations, including all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets. These include contributions from Rotarians, Rotary districts and clubs, and others.

Unrestricted net assets that are Board-designated represent amounts that have been designated for specific programs or uses. These unrestricted net assets include reserves that support Rotary's operating and program expenses in the event that current-year investment earnings are inadequate.

Temporarily restricted - Net assets subject to donor-imposed stipulations that may or will be met by fulfillment of the stipulated purpose and/or the passage of time. These include contributions that are restricted for polio eradication, areas of focus and term gifts. 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 or at the time of gift acceptance and in accordance with the

spending policy approved by the Foundation Trustees. Non-current pledges and the unspent portion of the Endowment Fund's net investment return are classified as temporarily restricted.

Permanently restricted - Net assets subject to donor-imposed stipulations that they be invested to provide a permanent source of income. Such stipulations can neither be removed by fulfillment of a stipulated purpose nor expire with the passage of time. These include contributions that are restricted for endowment funds and split-interest agreements.

Revenue Recognition

Contributions and unconditional pledges are recognized as revenue in the period received and recorded at estimated fair value. Dues are recognized as revenue in the membership year to which they relate. Prepaid dues are reported as deferred revenue. Revenues from services and other activities are recognized when the services are rendered.

Tax Status

Rotary International and the Foundation have each received a favorable determination letter from the 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 (IRC) 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 2014 and 2013.

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.

The Financial Accounting Standards Board (FASB) issued guidance that requires tax effects from uncertain positions to be 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. The fiscal years ended 2011, 2012, 2013 and 2014 are still open to audit for both federal and Illinois purposes.

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 in the change in net assets.

Risks and Uncertainties

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

Reclassifications

Certain reclassifications have been made to prior-year balances to conform to the current-year presentations.

Recent Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update (ASU) 2011-04, "*Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*." ASU 2011-04 revised the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. ASU 2011-04 also expanded the required disclosures for fair value measurement that are estimated using significant unobservable (Level 3) inputs. This new guidance is to be applied prospectively. Rotary adopted ASU 2011-04 for the year ended 30 June 2013. The adoption of this standard did not materially expand Rotary's consolidated financial statement footnote disclosures.

NOTE C - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The fair values of Rotary's consolidated financial assets that are measured on a recurring basis are as follows as of 30 June 2014:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Investments at fair value				
Invested cash and short-term investments (a)	$ 64,116	$ -	$ -	$ 64,116
Equity (b)	49,490	-	-	49,490
Fixed income (c)	95,964	1,413	-	97,377
Exchange traded funds (d)	17,559	-	-	17,559
Mutual funds (e)	350,259	39,941	-	390,200
Commingled funds (f)	-	54,112	-	54,112
Limited liability companies (g)	-	189,814	-	189,814
Private equity funds (h)	-	-	28,120	28,120
Real estate funds (i)	-	-	62,242	62,242
Hedge funds (j)	-	-	63,673	63,673
Total investments at fair value	$ 577,388	$ 285,280	$ 154,035	1,016,703
Investments not at fair value (k)				3,098
Total investments				$ 1,019,801
Split-interest agreements				
Invested cash and short-term investments	$ 746	$ -	$ -	$ 746
Fixed income	-	989	-	989
Exchange traded funds	25,860	-	-	25,860
Mutual funds	6,202	-	-	6,202
Total split-interest agreements at fair value	$ 32,808	$ 989	$ -	33,797
Split-interest agreements not at fair value				-
Total split-interest agreements				$ 33,797

The fair values of Rotary's consolidated financial assets that are measured on a recurring basis are as follows as of 30 June 2013:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Investments at fair value				
Invested cash and short-term investments (a)	$ 5,256	$ -	$ -	$ 5,256
Equity (b)	41,555	-	-	41,555
Fixed income (c)	118,719	25,635	-	144,354
Exchange traded funds (d)	13,181	-	-	13,181
Mutual funds (e)	328,586	27,803	-	356,389
Commingled funds (f)	-	46,573	-	46,573
Limited liability companies (g)	-	128,141	-	128,141
Private equity funds (h)	-	-	22,600	22,600
Real estate funds (i)	-	-	60,349	60,349
Hedge funds (j)	-	-	71,410	71,410
Total investments at fair value	$ 507,297	$ 228,152	$ 154,359	889,808
Investments not at fair value (k)				29,773
Total investments				$ 919,581
Split-interest agreements				
Invested cash and short-term investments	$ 1,239	$ -	$ -	$ 1,239
Fixed income	-	726	-	726
Exchange traded funds	22,758	-	-	22,758
Mutual funds	5,713	-	-	5,713
Real estate	-	-	125	125
Total split-interest agreements at fair value	$ 29,710	$ 726	$ 125	30,561
Split-interest agreements not at fair value				-
Total split-interest agreements				$ 30,561

Investments categorized as Level 1 include: money market, U.S. government fixed income instruments, U.S. and non-U.S. equity securities, certain mutual funds, and exchange traded funds.

Investments categorized as Level 2 include: certain fixed income instruments, primarily corporate bonds, international bonds, asset-backed securities, non-exchange traded funds, limited liability companies, commingled funds, certain mutual funds and U.S. agency bonds, valued primarily using matrix and/or market corroborated pricing.

Investments categorized as Level 3 include: certain equity, hedge funds, private equity funds, and real estate and real estate funds.

(a) Invested cash and short-term investments are invested in money market funds whose portfolio is composed of highly rated short-term issuance managed with the primary goal of preserving principal while providing reasonable yield. It is possible for the value of these funds to be valued below one U.S. dollar.

(b) Equity securities are stated at fair value determined primarily by closing prices quoted on recognized U.S. and international security exchanges.

(c) Fixed income securities are stated at fair value determined primarily from quoted prices in the market in which they are principally traded. Certain securities evaluated as Level 2 are stated at fair value determined primarily by matrix pricing.

(d) Exchange traded funds are baskets of securities designed to replicate various indices and whose value is determined through daily market action in the shares of the exchange traded fund. Fair market value is determined by obtaining prices from quoted market sources.

(e) Mutual funds are pools of assets commingled together to benefit from professional management and through economies of scale. Mutual funds are stated at fair value determined primarily from quoted prices in the market in which they are principally traded. Certain mutual funds evaluated as Level 2 are stated at NAV because investors own shares of the fund and are provided a NAV per share on a regular basis. Mutual funds are registered with the U.S. Securities and Exchange Commission.

(f) Commingled funds are pools of assets commingled together to benefit from professional management and through economies of scale. Investors own shares of the fund and are provided a NAV on a regular basis. Commingled funds are regulated by the U.S. Office of the Comptroller of the Currency or by the state banking authority.

(g) The limited liability companies are investing vehicles whose interest is in a membership of the limited liability company. The membership has the same benefits of professional management and economies of scale as mutual and commingled funds, and is provided with regular NAV reporting.

(h) Private equity funds include several funds that invest globally. Capital is committed to these investments and called as investments are made. Distributions are made only when the underlying investments of the funds undergo a significant market event, such as an acquisition by another company or an initial public offering. The time horizon of a typical private equity fund is approximately 10 to 15 years. The fair values of the investments in this category have been estimated based on Rotary's ownership interest in partners' capital, which is deemed to be a NAV equivalent.

(i) Real estate funds include open-ended and closed-ended real estate funds that invest in U.S. real estate. The holdings in the real estate funds comprise a mix of apartments, offices, industrial, retail and hotel properties. The fair values of the investments in this category have been estimated using the NAV per share of the investments, based on an annual valuation by an independent third-party appraiser. Redemption requests in the open-ended fund are subject to approval by the fund's Board of Trustees on a quarterly basis. Redemptions of the closed-ended fund were suspended until the fund's outstanding credit facility was repaid. This fund has resumed distributions on a pro-rata basis as assets are sold.

(j) Hedge funds include various hedge funds that pursue multiple global strategies to diversify risks and reduce volatility. The fair values of the investments in this category have been estimated using the NAV per share of the investments. A full redemption has been requested from one of the fund managers in fiscal year 2009, and proceeds continue to be distributed as available when the underlying managers have been able to provide liquidity. Another fund is in bankruptcy, with all assets in cash pending distribution to creditors and investors. In fiscal year 2006, Rotary recorded a valuation reserve of $16,000 on a cost basis of $25,640. During fiscal year 2014, $13,060 was received from this fund, resulting in recording a realized gain of $3,420. Further distributions may be made in the future.

(k) Investments not at fair value include invested cash and short-term investments and a certificate of deposit.

For fair value measurements using significant unobservable inputs (Level 3), the changes are as follows:

	Private equity funds	Real estate funds	Hedge funds	Total
Balance as of 1 July 2012	$ 19,957	$ 55,100	$ 58,189	$ 133,246
Realized gains, net	1,807	240	226	2,273
Unrealized (losses) gains, net	(216)	3,864	4,677	8,325
Purchases	4,527	2,580	10,441	17,548
Sales	(3,475)	(1,435)	(2,123)	(7,033)
Balance as of 30 June 2013	22,600	60,349	71,410	154,359
Realized gains, net	2,038	58	4,030	6,126
Unrealized gains, net	2,616	5,057	1,036	8,709
Purchases	4,954	2,521	22,679	30,154
Sales	(4,088)	(5,743)	(35,482)	(45,313)
Balance as of 30 June 2014	$ 28,120	$ 62,242	$ 63,673	$ 154,035

Rotary investments reported at NAV or its equivalent as of 30 June 2014 include: certain mutual funds, commingled funds, limited liability companies, hedge funds, private equity funds and real estate funds, as defined above, and as summarized below:

	Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Investments				
Mutual funds	$ 39,941	$ -	Daily	Daily
Commingled funds	54,112	-	Monthly	22nd day of preceding month
Limited liability companies	189,814	-	Daily/twice monthly/monthly	8th or 22nd of current month/15 days
Private equity funds	28,120	23,879	-	-
Real estate funds	62,242	-	Quarterly	60-90 days
Hedge funds	63,673	-	Monthly/quarterly	30-65 days/not <5 days before end of month
Total	$ 437,902	$ 23,879		

Rotary investments reported at NAV or its equivalent as of 30 June 2013 include: certain mutual funds, commingled funds, limited liability companies, hedge funds, private equity funds and real estate funds, as defined above, and as summarized below:

	Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Investments				
Mutual funds	$ 27,803	$ -	Daily/monthly	Daily/14th day of month
Commingled funds	46,573	-	Monthly	22nd day of preceding month
Limited liability companies	128,141	-	Daily/twice monthly	8th or 22nd of current month
Private equity funds	22,600	22,950	-	-
Real estate funds	60,349	-	Quarterly	60-90 days
Hedge funds	71,410	-	Monthly/quarterly	30-65 days/not <5 days before end of month
Total	$ 356,876	$ 22,950		

At 30 June 2014 and 2013, Rotary had investments in bonds in the amount of $57,361 and $55,993, respectively, denominated in currencies other than the U.S. dollar. Accrued interest and dividends are included in total investments.

The components of investment return, net for the years ended 30 June 2014 and 2013 are as follows:

	2014	2013
Interest and dividends	$ 13,019	$ 16,078
Realized gains, net	33,540	33,194
Unrealized gains, net	80,842	26,027
Investment and banking fees	(3,928)	(3,399)
Currency gains (losses), net	741	(4,187)
Total	$ 124,214	$ 67,713

NOTE D - PROPERTY AND EQUIPMENT, NET

The components of property and equipment, net as of 30 June 2014 and 2013 are as follows:

	2014	2013
Property and equipment		
Land	$ 2,231	$ 2,960
Building	72,926	71,230
Furniture and equipment	36,903	34,360
Property and equipment	112,060	108,550
Less accumulated depreciation	(74,030)	(68,809)
Total	$ 38,030	$ 39,741

Depreciation expense for the years ended 30 June 2014 and 2013 is $7,008 and $6,101, respectively.

NOTE E - ENDOWMENTS

Effective July 2013, the Trustees modified the spending policy from endowed gifts. Based on the new spending policy approved by the Trustees, annual spending occurs each year from those endowed gifts where the market value is at least 90% of the accumulated gift value based on a tiered spending rate structure. Annual spending in fiscal year 2013 and prior occurred each year from those endowed gifts where the market values exceeded their accumulated gift values. In accordance with UPMIFA, the Foundation considers the following factors in making a determination for the spending rate for endowment funds: the duration and preservation of the fund, the mission of the Foundation and the purposes of the donor-restricted endowment funds, the investment policy, general economic conditions, possible effects of inflation and deflation, and the expected total return from income and appreciation of investments. The Trustees approved tiered spending rates between 2.0% and 5.0% for fiscal year 2014, and a spending rate of 4.5% for fiscal year 2013.

Split-interest agreements and related activities are part of permanently restricted net assets, 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 2014 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 6,539	$ 43,138	$ 221,484	$ 271,161
Investment return				
Interest, dividends and investment fees, net	39	2,658	-	2,697
Realized and unrealized gains, net	736	39,744	-	40,480
Total investment return	775	42,402	-	43,177
Contributions	-	-	22,748	22,748
Transfer of funds	8,515	-	-	8,515
Conversion of split-interest agreements to endowment	-	-	2,747	2,747
Modifications to endowment agreements and pledge write offs	-	-	(118)	(118)
Appropriation of endowment assets for expenditure	-	(9,985)	-	(9,985)
Endowment net assets, end of year	$ 15,829	$ 75,555	$ 246,861	$ 338,245

Changes in endowment net assets for the year ended 30 June 2013 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 4,023	$ 30,393	$ 201,457	$ 235,873
Investment return				
Interest, dividends and investment fees, net	63	3,119	-	3,182
Realized and unrealized gains, net	1,345	18,430	-	19,775
Total investment return	1,408	21,549	-	22,957
Contributions	-	-	19,643	19,643
Transfer of funds	1,108	-	-	1,108
Conversion of split-interest agreements to endowment	-	-	986	986
Modifications to endowment agreements and pledge write offs	-	(336)	(602)	(938)
Appropriation of endowment assets for expenditure	-	(8,468)	-	(8,468)
Endowment net assets, end of year	$ 6,539	$ 43,138	$ 221,484	$ 271,161

Endowment composition by net asset class as of 30 June 2014 is as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ -	$ 75,555	$ 246,861	$ 322,416
Trustee-designated endowment funds	15,829	-	-	15,829
Endowment net assets, end of year	$ 15,829	$ 75,555	$ 246,861	$ 338,245

Endowment composition by net asset class as of 30 June 2013 is as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ (149)	$ 43,138	$ 221,484	$ 264,473
Trustee-designated endowment funds	6,688	-	-	6,688
Endowment net assets, end of year	$ 6,539	$ 43,138	$ 221,484	$ 271,161

Funds with Deficiencies

From time to time, the fair value of assets associated with the donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. The Foundation is required to transfer funds from unrestricted net assets to temporarily restricted net assets when deficiencies result from unfavorable market fluctuations. The required transfer is the amount by which the fair value of the assets at fiscal year-end is less than the level required by donor stipulations in order to retain as a fund of perpetual duration. There were no deficiencies as of 30 June 2014. Deficiencies totaled $149 as of 30 June 2013.

NOTE F - BENEFIT PLANS

Pension Benefits

The Rotary International Retirement Plan (the Plan) is a defined benefit pension plan covering substantially all Rotary International U.S. employees with a hire date before 1 January 2008. The Plan was closed to employees hired on or after this date. In fiscal 2014, Rotary approved a benefit freeze and termination of benefit accrual effective 31 December 2014 with assets to be distributed by 31 December 2015. The benefits are determined by application of a benefit ratio to the employee's highest average annual earnings for five consecutive Plan years. The Plan's assets are invested in certain fixed-income, equity funds and limited liability companies.

Rotary International's funding practice, subject to the minimum funding requirements under the Employee Retirement Income Security Act of 1974, is to contribute such amounts as determined on an actuarial basis to provide the assets sufficient to meet the benefit obligations. Rotary International uses a 30 June measurement date for the Plan.

Summary information for the Plan as of 30 June 2014 and 2013 is as follows:

	2014	2013
Plan assets at fair value	$ 62,789	$ 54,649
Projected benefit obligation	63,188	65,321
Funded status	$ (399)	$ (10,672)
Net actuarial loss	$ -	$ 10,672
Amount recognized in unrestricted net assets	$ -	$ 10,672

The weighted-average actuarial assumptions used to determine the benefit obligation as of 30 June 2014 and 2013 are as follows:

	2014	2013
Discount rate	3.93%	5.12%
Assumed rate of compensation increases	5.00	5.00

The amount recognized as pension-related changes other than net periodic benefit cost in the consolidated statements of activities for fiscal years 2014 and 2013 is as follows:

	2014	2013
Current year actuarial gain	$ 7,269	$ 5,322
Amortization of actuarial loss	259	976
Curtailment	3,144	-
Total recognized as pension-related changes other than net periodic benefit cost	$ 10,672	$ 6,298

The amounts recognized by the Plan for fiscal years 2014 and 2013 are as follows:

	2014	2013
Benefits paid	$ 1,775	$ 1,680
Pension expense	399	3,499
Employer contribution	-	3,499

The net periodic benefit cost for fiscal years 2014 and 2013 is as follows:

	2014	2013
Service cost	$ 2,157	$ 2,691
Interest cost	3,349	3,183
Expected return on assets	(3,759)	(3,351)
Amortization of loss	259	976
Curtailment gain	(1,607)	-
Net periodic benefit cost	$ 399	$ 3,499

The weighted-average actuarial assumptions used to determine net periodic benefit cost for the years ended 30 June 2014 and 2013 are as follows:

	2014	2013
Discount rate	5.12%	4.58%
Expected long-term rate of return	7.00	6.80
Assumed rate of compensation increases	5.00	5.00

In developing the expected long-term rate of return on assets, the Plan's trustees considered the average rate of earnings expected on the classes of funds invested or to be invested to provide for the future obligation of the Plan. This included considering the trust's targeted asset allocation for the fiscal year and the expected returns likely to be earned over the next 10 years.

Plan Assets

The objective for the Plan's investment program is to generate investment returns that, in combination with funding contributions from Rotary, provide adequate assets to meet all current and future benefit obligations of the Plan. More specifically, the Plan is seeking to minimize funded status volatility as the Plan approaches the 31 December 2014 termination date and distribution of assets during calendar year 2015. The target and actual allocations for Plan assets at 30 June 2014 for the Plan are 80% in the liability hedging portfolio and 20% in the return seeking portfolio.

The following fair value hierarchy table presents information about the Plan's investments measured at fair value as of 30 June 2014:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Invested cash and short-term investments (a)	$ 224	$ -	$ -	$ 224
Commingled funds (c)	-	12,206	-	12,206
Limited liability companies (d)	-	-	50,359	50,359
Total	$ 224	$ 12,206	$ 50,359	$ 62,789

The following fair value hierarchy table presents information about the Plan's investments measured at fair value as of 30 June 2013:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Invested cash and short-term investments (a)	$ 435	$ -	$ -	$ 435
Mutual funds (b)	27,034	-	-	27,034
Commingled funds (c)	-	13,562	-	13,562
Limited liability companies (d)	-	-	13,618	13,618
Total	$ 27,469	$ 13,562	$ 13,618	$ 54,649

Plan assets categorized as Level 1 include: money market and fixed term deposits with maturities of less than one year, U.S. government obligations, fixed-income instruments, U.S. and non-U.S. equity securities, mutual funds, and exchange traded funds.

Plan assets categorized as Level 2 are commingled funds. Commingled funds are valued based on NAV per share, derived from the quoted prices in active markets of the underlying equity securities.

Plan assets categorized as Level 3 are limited liability companies investing in bond funds. Bond fund values are derived from the quoted prices in active markets of the underlying fixed income securities.

(a) Invested cash and short-term investments are invested in money market funds whose portfolio is composed of highly rated short-term issuance managed with the primary goal of preserving principal while providing minimal yield.

(b) Mutual funds are pools of assets commingled together to benefit from professional management and through economies of scale. Investors own shares of the fund and are provided a NAV per share, as previously defined, on a regular basis. Mutual funds are registered with the U.S. Securities and Exchange Commission.

(c) Commingled funds are pools of assets commingled together to benefit from professional management and through economies of scale. Investors own shares of the fund and are provided a NAV on a regular basis. Commingled funds are regulated by the U.S. Office of the Comptroller of the Currency or by the state banking authority.

(d) The limited liability companies are investing vehicles whose interest is in a membership of the limited liability company. The membership has the same benefits of professional management and economies of scale that mutual and commingled funds do, and are provided with regular NAV reporting.

For fair value measurements using significant unobservable inputs (Level 3), the changes are as follows:

	Limited liability companies
Balance as of 1 July 2012	$ 13,638
Realized gains, net	342
Unrealized losses, net	(980)
Purchases	640
Sales	(22)
Balance as of 30 June 2013	13,618
Realized gains, net	963
Unrealized gains, net	596
Purchases	54,189
Sales	(19,007)
Balance as of 30 June 2014	$ 50,359

Estimated Future Contributions and Benefit Payments

Rotary expects to contribute $-0- to the Plan in fiscal year 2015 given the Plan termination.

The following benefit payments, which reflect future services, as appropriate, are expected to be paid in the following fiscal years:

Years ending 30 June	
2015	$ 2,197
2016	63,388
Total	$ 65,585

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. For employees hired on or after 1 January 2008, Rotary International may also make further contributions to the 401(k) Plan via a points-based contribution. The match and points-based contribution expense to Rotary was $1,654 and $1,432 for the years ended 30 June 2014 and 2013, respectively.

NOTE G - LEASING ARRANGEMENTS

As lessee, Rotary International leases certain office facilities. The future minimum lease commitments under these non-cancelable operating leases as of 30 June 2014 are as follows:

Years ending 30 June	
2015	$ 1,146
2016	1,035
2017	476
2018	302
2019	-
Thereafter	-
Total future minimum lease commitments	$ 2,959

Rental expense was $1,579 and $1,961 for the years ended 30 June 2014 and 2013, respectively.

One Rotary Center is Rotary's world headquarters office building in Evanston, Illinois, USA, owned by Rotary International. At 30 June 2014, 51% of One Rotary Center space was available for lease to third parties. Of the available space for lease, 90% was leased to third parties with terms ranging from one to 15 years. Future minimum rental income to be received on these non-cancelable operating leases is as follows:

Years ending 30 June	
2015	$ 4,647
2016	3,658
2017	3,435
2018	2,767
2019	2,593
Thereafter	25,658
Total future minimum rental income	$ 42,758

NOTE H - NET ASSETS

The components of Rotary's net assets as of 30 June 2014 and 2013 are as follows:

	2014	2013
Unrestricted		
Undesignated	$ 542,194	$ 491,766
Board-designated	205,746	162,797
Total unrestricted net assets	747,940	654,563
Temporarily restricted		
PolioPlus	-	24,068
Endowment Fund earnings awaiting appropriation	75,555	43,138
Areas of focus/term gifts	7,906	4,509
Total temporarily restricted net assets	83,461	71,715
Permanently restricted		
Annual fund	168,530	153,882
Rotary grants*	76,351	20,252
Educational programs	-	39,138
Humanitarian programs	-	1,710
PolioPlus program	200	175
Split-interest agreements	14,501	13,229
Other	1,780	6,327
Total permanently restricted net assets	261,362	234,713
Total net assets	$ 1,092,763	$ 960,991

*Effective 1 July 2013, with the global rollout of Rotary's new grant model, Rotary grants replaced Educational and Humanitarian programs.

Net assets released from temporary restrictions by incurring expenses that satisfied donor restrictions for the years ended 30 June 2014 and 2013 are as follows:

	2014	2013
PolioPlus	$ 119,371	$ 69,183
Endowment Fund earnings appropriated for use	7,719	7,015
Areas of focus/term gifts	11,367	2,341
Endowment modifications	-	99
Prior-year pledges received	362	400
	$ 138,819	$ 79,038

Net assets released from permanent restrictions through modifications to endowment agreements and pledge write offs and allowance for the years ended 30 June 2014 and 2013 are as follows:

	2014	2013
Endowment modifications	$ -	$ 548
Pledge write offs and allowance	118	54
Total	$ 118	$ 602

NOTE I - SERVICES AND OTHER ACTIVITIES

The Association has services and other activities that generate income to offset the expenses incurred for certain activities (see supplementary schedule of Association 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, district and the RI 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, USA; and the U.S. club insurance program, which provides liability insurances to U.S. Rotary clubs and districts. Also included in the supplementary schedule are publications and supplies, license fees and miscellaneous, and contributions to the Foundation.

NOTE J - THE BILL & MELINDA GATES FOUNDATION GRANT

Beginning in fiscal year 2008, the Foundation entered into a grant agreement with the Bill & Melinda Gates Foundation (BMGF) to support the global polio eradication initiative. The intent of the grant agreement is to strengthen the Foundation's leadership in working with other organizations, such as the United Nations Children's Fund, the Centers for Disease Control and the World Health Organization, in pursuit of the eradication of polio throughout the world. In accordance with the grant agreement and all future addendums, the Foundation recognizes revenue when all contingencies to the grant are substantially met.

Through the six-year period ended 30 June 2013, the Foundation received the total grant award of $355,120 from BMGF and recorded this as temporarily restricted revenue. The addendum had provisions whereby the Foundation was responsible for separately raising $200,000 by 30 June 2012, which was accomplished by 31 December 2011.

In September 2011, the Foundation and BMGF signed an addendum to the agreement for an additional grant award from BMGF of $50,090 subject to revised contingencies. The contingencies to the September 2011 grant award were met in October 2012; therefore, the additional $50,090 award was recorded as revenue during fiscal year 2013. As of 30 June 2014, a pledge receivable of $10,030 remains for this additional grant award and is expected to be received in January 2015.

In June 2013, the Foundation and BMGF signed another addendum for an additional grant award from BMGF of up to $350,000 subject to revised contingencies. The addendum provides a 2:1 match for new spending from non-BMGF funds, with a match of up to $70,000 per calendar year for five years. The Foundation recorded a $70,000 award as revenue between fiscal years 2013 and 2014 for spending non-BMGF funds during calendar year 2013. For calendar year 2014, through the six months ended 30 June 2014, the Foundation spent $500 of non-BMGF funds and recorded revenue and a pledge receivable of $1,000.

NOTE K - SUBSEQUENT EVENTS

Management considered subsequent events through 30 October 2014, the date the consolidated financial statements were available to be issued. Rotary is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

Rotary International
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
30 June 2014
(In thousands of U.S. dollars)

ASSETS	Rotary International	PPH	Infotech	Eliminating entries	Association subtotal	Foundation	Eliminating entries	Consolidated total
ASSETS								
Cash and cash equivalents	$ 18,820	$ 621	$ 94	$ -	$ 19,535	$ 70,673	$ -	$ 90,208
Club and other accounts receivable, net	3,407	-	371	-	3,778	-	-	3,778
Pledges receivable, net	-	-	-	-	-	17,657	-	17,657
Deferred charges, prepaid expenses and other assets	3,602	36	39	-	3,677	4,028	-	7,705
Due from affiliates	1,772	-	801	(795)	1,778	-	(1,778)	-
Investments	105,642	4,564	-	(2,325)	107,881	911,920	-	1,019,801
Split-interest agreements	-	-	-	-	-	33,797	-	33,797
Property and equipment, net	37,733	-	297	-	38,030	-	-	38,030
Total assets	$ 170,976	$ 5,221	$ 1,602	$ (3,120)	$ 174,679	$ 1,038,075	$ (1,778)	$ 1,210,976
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts payable, accrued expenses and split-interest agreements payable	$ 26,006	$ 3,676	$ 436	$ 350	$ 30,468	$ 20,091	$ -	$ 50,559
Accrued program awards	-	-	-	-	-	64,241	-	64,241
Deferred revenue	3,014	-	-	-	3,014	-	-	3,014
Pension obligation	399	-	-	-	399	-	-	399
Due to affiliates	759	365	21	(1,145)	-	1,778	(1,778)	-
Total liabilities	30,178	4,041	457	(795)	33,881	86,110	(1,778)	118,213
NET ASSETS								
Unrestricted								
Undesignated	115,852	1,180	1,145	(2,325)	115,852	426,342	-	542,194
Board designated	24,946	-	-	-	24,946	180,800	-	205,746
Total unrestricted net assets	140,798	1,180	1,145	(2,325)	140,798	607,142	-	747,940
Temporarily restricted	-	-	-	-	-	83,461	-	83,461
Permanently restricted	-	-	-	-	-	261,362	-	261,362
Total net assets	140,798	1,180	1,145	(2.325)	140,798	951,965	-	1,092,763
TOTAL LIABILITIES AND NET ASSETS	$ 170,976	$ 5,221	$ 1,602	$ (3,120)	$ 174,679	$ 1,038,075	$ (1,778)	$ 1,210,976

Rotary International
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
30 June 2013
(In thousands of U.S. dollars)

ASSETS	Rotary International	PPH	Infotech	Eliminating entries	Association subtotal	Foundation	Eliminating entries	Consolidated total
ASSETS								
Cash and cash equivalents	$ 9,197	$ 436	$ 80	$ -	$ 9,713	$ 40,799	$ -	$ 50,512
Club and other accounts receivable, net	3,807	-	273	-	4,080	-	-	4,080
Pledges receivable, net	-	-	-	-	-	40,221	-	40,221
Deferred charges, prepaid expenses and other assets	3,591	78	51	-	3,720	3,661	-	7,381
Due from affiliates	4,183	-	751	(764)	4,170	-	(4,170)	-
Investments	108,909	4,346	-	(2,137)	111,118	808,463	-	919,581
Split-interest agreements	-	-	-	-	-	30,561	-	30,561
Property and equipment, net	39,549	-	192	-	39,741	-	-	39,741
Total assets	$ 169,236	$ 4,860	$ 1,347	$ (2,901)	$ 172,542	$ 923,705	$ (4,170)	$ 1,092,077
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts payable, accrued expenses and split-interest agreements payable	$ 26,610	$ 3,338	$ 302	$ 375	$ 30,625	$ 22,115	$ -	$ 52,740
Accrued program awards	-	-	-	-	-	65,831	-	65,831
Deferred revenue	1,809	-	-	-	1,809	34	-	1,843
Pension obligation	10,672	-	-	-	10,672	-	-	10,672
Due to affiliates	709	409	21	(1,139)	-	4,170	(4,170)	-
Total liabilities	39,800	3,747	323	(764)	43,106	92,150	(4,170)	131,086
NET ASSETS								
Unrestricted								
Undesignated	97,581	1,113	1,024	(2,137)	97,581	394,185	-	491,766
Board designated	31,855	-	-	-	31,855	130,942	-	162,797
Total unrestricted net assets	129,436	1,113	1,024	(2,137)	129,436	525,127	-	654,563
Temporarily restricted	-	-	-	-	-	71,715	-	71,715
Permanently restricted	-	-	-	-	-	234,713	-	234,713
Total net assets	129,436	1,113	1,024	(2,137)	129,436	831,555	-	960,991
TOTAL LIABILITIES AND NET ASSETS	$ 169,236	$ 4,860	$ 1,347	$ (2,901)	$ 172,542	$ 923,705	$ (4,170)	$ 1,092,077

Rotary International
CONSOLIDATING STATEMENT OF ACTIVITIES
Year ended 30 June 2014
(In thousands of U.S. dollars)

	Rotary International	PPH	Infotech	Eliminating entries	Association subtotal	Foundation	Eliminating entries	Consolidated total
Revenues								
Contributions	$ -	$ -	$ -	$ -	$ -	$ 259,595	$ (5,357)	$ 254,238
Dues	63,301	-	-	-	63,301	-	-	63,301
Net investment return	15,855	189	(21)	-	16,023	108,191	-	124,214
Services and other activities	26,477	895	1,727	(2,764)	26,335	-	-	26,335
Grants and other activities, net	-	-	-	-	-	3,268	-	3,268
Total revenues	105,633	1,084	1,706	(2,764)	105,659	371,054	(5,357)	471,356
Expenses								
Program awards and expenses								
PolioPlus program	-	-	-	-	-	131,284	-	131,284
Rotary grants	-	-	-	-	-	91,850	-	91,850
Other programs	77,019	-	-	-	77,019	8,406	-	85,425
Total program awards and expenses	77,019	-	-	-	77,019	231,540	-	308,559
Development expenses	-	-	-	-	-	15,988	-	15,988
General administration	26,139	1,017	1,585	(2,764)	25,977	5,089	(5,357)	25,709
Total expenses	103,158	1,017	1,585	(2,764)	102,996	252,617	(5,357)	350,256
Change in net assets before pension-related changes other than net periodic benefit cost and equity investment in subsidiary	2,475	67	121	-	2,663	118,437	-	121,100
Pension-related changes other than net periodic benefit cost	8,699	-	-	-	8,699	1,973	-	10,672
Equity investment in subsidiary	188	-	-	(188)	-	-	-	-
CHANGE IN NET ASSETS	11,362	67	121	(188)	11,362	120,410	-	131,772
Net assets								
Beginning of year	129,436	1,113	1,024	(2,137)	129,436	831,555	-	960,991
End of year	$ 140,798	$ 1,180	$ 1,145	$ (2,325)	$ 140,798	$ 951,965	$ -	$ 1,092,763

Rotary International
CONSOLIDATING STATEMENT OF ACTIVITIES
Year ended 30 June 2013
(In thousands of U.S. dollars)

	Rotary International	PPH	Infotech	Eliminating entries	Association subtotal	Foundation	Eliminating entries	Consolidated total
Revenues								
Contributions	$ -	$ -	$ -	$ -	$ -	$ 239,576	$ (5,380)	$ 234,196
Dues	62,503	-	-	-	62,503	-	-	62,503
Net investment return	11,638	140	(21)	(4)	11,753	55,960	-	67,713
Services and other activities	26,760	869	1,924	(2,886)	26,667	-	-	26,667
Grants and other activities, net	-	-	-	-	-	991	-	991
Total revenues	100,901	1,009	1,903	(2,890)	100,923	296,527	(5,380)	392,070
Expenses								
Program awards and expenses								
Educational programs	-	-	-	-	-	21,956	-	21,956
Humanitarian programs	-	-	-	-	-	50,901	-	50,901
PolioPlus program	-	-	-	-	-	76,059	-	76,059
Rotary grants	-	-	-	-	-	26,439	-	26,439
Other programs	74,891	-	-	-	74,891	1,154	-	76,045
Total program awards and expenses	74,891	-	-	-	74,891	176,509	-	251,400
Development expenses	-	-	-	-	-	17,684	-	17,684
General administration	27,976	981	1,716	(2,890)	27,783	4,651	(5,380)	27,054
Total expenses	102,867	981	1,716	(2,890)	102,674	198,844	(5,380)	296,138
Change in net assets before pension-related changes other than net periodic benefit cost and equity investment in subsidiary	(1,966)	28	187	-	(1,751)	97,683	-	95,932
Pension-related changes other than net periodic benefit cost	6,298	-	-	-	6,298	-	-	6,298
Equity investment in subsidiary	215	-	386	(601)	-	-	-	-
CHANGE IN NET ASSETS	4,547	28	573	(601)	4,547	97,683	-	102,230
Net assets								
Beginning of year	124,889	1,085	451	(1,536)	124,889	733,872	-	858,761
End of year	$ 129,436	$ 1,113	$ 1,024	$ (2,137)	$ 129,436	$ 831,555	$ -	$ 960,991

Rotary International
ASSOCIATION ACTIVITIES
Year ended 30 June 2014
(In thousands of U.S. dollars)

Revenues	
Dues	$ 63,301
Investment return, net	16,023
Services and other activities	26,335
Total revenues	105,659
Expenses	
Senior leader, governance and executive	6,008
Programs and member services	24,921
Messaging and communications	13,216
Polio, development and partnerships	114
IT, operations and administration	12,812
Finances	4,736
Strategy and enterprise projects	864
International operations	6,789
Human resources, legal and audit	3,077
Total operating expenses	72,537
Services and other activities	25,102
Contribution to The Rotary Foundation	5,357
Total expenses	102,996
Excess revenue before pension-related changes other than net periodic benefit cost	$ 2,663

SERVICES AND OTHER ACTIVITIES

	Revenue	Expense	Excess revenue/ (expense)
Council on Legislation	$ 119	$ 119	$ -
International convention	10,277	9,309	968
Magazine	6,284	5,212	1,072
One Rotary Center	5,496	8,019	(2,523)
Publications and supplies	823	940	(117)
U.S. clubs insurance program	1,349	1,374	(25)
License fees and miscellaneous	1,987	129	1,858
Total	$ 26,335	$ 25,102	$ 1,233

Rotary International
ASSOCIATION ACTIVITIES
Year ended 30 June 2013
(In thousands of U.S. dollars)

Revenues	
Dues	$ 62,503
Investment return, net	11,753
Services and other activities	26,667
Total revenues	100,923
Expenses	
Senior leader, governance and executive	6,055
Programs and member services	24,458
Messaging and communications	13,191
IS operations and administration	13,425
Finances	4,632
Strategy and enterprise projects	105
International operations	6,650
Human resources, legal and audit	3,118
Total operating expenses	71,634
Services and other activities	25,660
Contribution to The Rotary Foundation	5,380
Total expenses	102,674
Excess expense before pension-related changes other than net periodic benefit cost	$ (1,751)

SERVICES AND OTHER ACTIVITIES

	Revenue	Expense	Excess revenue/ (expense)
Council on Legislation	$ 2,978	$ 2,978	$ -
International convention	8,207	7,697	510
Magazine	6,447	5,309	1,138
One Rotary Center	5,136	7,091	(1,955)
Publications and supplies	633	1,050	(417)
U.S. clubs insurance program	1,375	1,325	50
License fees and miscellaneous	1,891	210	1,681
Total	$ 26,667	$ 25,660	$ 1,007