

Rotary International District 5160

Financial Statements

For the Year Ended
June 30, 2021



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Letter to the Committee

March 15, 2022

Dear Finance Committee of Rotary International District 5160:

The District Audit Task Force presents the annual statements and reports for the fiscal year ending June 30, 2020. The attached reports include the following:

- Statement of Financial Position
- Statement of Activities
- Statement of Functional Expenses
- Statement of Cash Flows
- Notes to Financial Statements

The reports and financial records reviewed by the Audit Task Force are intended to include all sources of District funds, all funds related to fundraising activities, grants from The Rotary Foundation, all financial transactions of District committees, all financial transactions of the District Governor line, all expenditures of District funds and all funds received from Rotary International.

The Audit Task Force performed the following agreed upon procedures related to these reports:

1. Comparison of financial statement balances to the underlying ledgers and trial balances.
2. Review of bank reconciliations for all cash accounts of the District at year-end.
3. Selected review of a sample of disbursement transactions and the related supporting documentation.
4. Review of documentation for a sample of reimbursements and expenditures related to the expenses of the District Governor line.
5. Comparison of dues revenue to Club membership reports for a sample of Clubs in the District.
6. Review of accounting procedures and internal controls to determine compliance.

The Audit Task Force members are:

- Rotary members, Bradley Ward and Jim Gillette
- District Grants representative, Raylene Ewing

We would like to extend our appreciation for the support and assistance of District Treasurer, Lynn Jepsen, for her accommodation of our requests for information and explanations during the review process. We present this report to the Finance Committee for discussion and adoption.

Sincerely,

Pamela Gray
Audit Committee Chair

Rotary International District 5160
Statement of Financial Position
For the Year Ended June 30, 2021

ASSETS

| | |
|-------------------------------|----------------|
| Cash | \$ 479,942 |
| Prepaid expenses and deposits | <u>40,300</u> |
| Total Assets | <u>520,243</u> |

TOTAL ASSETS

\$ 520,243

LIABILITIES AND NET ASSETS

| | |
|---------------------------------------|-------------------------|
| Liabilities | |
| Accounts payable and accrued expenses | <u>62,139</u> |
| Total Liabilities | <u><u>\$ 62,139</u></u> |

Net Assets

| | |
|----------------------------|--------------------------|
| Without donor restrictions | |
| Undesignated | 289,016 |
| Board Designated | <u>169,088</u> |
| Total Net Assets | <u><u>\$ 458,104</u></u> |

TOTAL LIABILITIES AND NET ASSETS

\$ 520,243

Rotary International District 5160
Statement of Activities
For the Year Ended June 30, 2021

| WITHOUT DONOR RESTRICTIONS | <u>GENERAL</u> |
|---|--------------------------|
| Revenue and Support | |
| Rotary Club Dues | \$ 112,984 |
| Youth Service Income | 21,222 |
| District Event Income | 7,120 |
| Community Service | 185,858 |
| Rotary International Reimbursement | 18,922 |
| Other Income | 5,734 |
| TOTAL REVENUE AND SUPPORT | <u><u>351,840</u></u> |
| Expenses | |
| Program Services | |
| Club Service | 36,282 |
| Community Service | 186,658 |
| Youth Service | 48,858 |
| Governor Club Visits & Training | 9,122 |
| Total Program Services | <u><u>280,920</u></u> |
| Support Services | |
| Management and General | 30,952 |
| TOTAL EXPENSES | <u><u>311,872</u></u> |
| CHANGE IN NET ASSETS | 39,968 |
| NET ASSETS, BEGINNING OF YEAR | 418,635 |
| PRIOR PERIOD ADJUSTMENTS | (499) |
| NET ASSETS (DEFICIT)-END OF YEAR | <u><u>\$ 458,104</u></u> |

Rotary International District 5160
Statement of Functional Expenses
For the Year Ended June 30, 2021

| | Program Services | | | | Supporting | Total | |
|-----------------------------|------------------|-------------------|------------------|---------------------------------|-------------------------------|------------------|-------------------|
| | Club Service | Community Service | Youth Service | Governor Club Visits & Training | Services Management & General | | |
| Expenses | | | | | | | |
| Auto & travel | \$ 182 | | | \$ 6,050 | \$ 6,231 | \$ 6,231 | |
| Awards & gifts | 750 | | | | 750 | 750 | |
| Badges & Rotary merchandise | | | | | - | 4,466 | |
| Bank & merchant fees | | | | | - | 1,092 | |
| Camp Royal | | | 23,063 | | 23,063 | 23,063 | |
| Camp Venture | | | 22,098 | | 22,098 | 22,098 | |
| District grants | | 185,858 | | | 185,858 | 185,858 | |
| Fellowship & social events | | | | 478 | 478 | 478 | |
| Interact | | | 70 | | 70 | 70 | |
| International convention | | | | | - | - | |
| Office supplies | 3,866 | | | 1,187 | 5,053 | 12,770 | |
| Professional fees | 26,208 | 800 | | | 27,008 | 3,602 | |
| Rent | | | | | - | 2,376 | |
| Tax & licenses | | | | | - | 75 | |
| Training events | 4,417 | | | 1,407 | 5,824 | 5,824 | |
| Website | | | | | - | 6,571 | |
| Youth Exchange | | | 2,444 | | 2,444 | 2,444 | |
| Youth support | | | 1,182 | | 1,182 | 1,182 | |
| Zone institute | 861 | | | | 861 | 861 | |
| TOTAL | \$ 36,282 | \$ 186,658 | \$ 48,858 | \$ 9,122 | \$ 280,920 | \$ 30,952 | \$ 311,872 |

Rotary International District 5160
Statement of Cash Flows
For the Year Ended June 30, 2021

| | Total |
|---|------------------|
| OPERATING ACTIVITIES | |
| Net Income | \$ 39,968 |
| Adjustments to reconcile Net Income to Net Cash provided by operations: | |
| Other Receivable | 3,160 |
| Prepaid | (9,387) |
| Resale District Shirts | 1,000 |
| Prepaid: Prepaid Dist. Conf. (deleted) | 1,094 |
| Accounts Payable | 18,315 |
| Accrued expenses | (500) |
| Deferred Dist. Conf. Income | 39,249 |
| Youth Groups: | (14,300) |
| Other Liability | 198 |
| Adjustments to reconcile Net Income to Net Cash provided by operations: | <u>38,829</u> |
| Net cash provided by operating activities | <u>78,797</u> |
| FINANCING ACTIVITIES | |
| Designated Reserves Youth programs | (27,636) |
| Restricted Reserves | 98,983 |
| Net cash provided by financing activities | <u>71,346</u> |
| Net cash increase for period | <u>150,144</u> |
| Cash at beginning of period | 329,799 |
| Cash at end of period | <u>\$479,943</u> |

Rotary International District 5160 Notes to Financial Statements for the Year Ended June 30, 2021

NOTE 1 NATURE OF OPERATIONS

Rotary International District 5160 (the “District”) is a nonprofit public benefit corporation formed in 1915 and is an administrative district of Rotary International. As a volunteer organization, the District provides support to 73-member clubs and humanitarian services primarily in the central portion of Northern California. Rotary International is a worldwide organization of business and professional leaders that promotes community service and high ethical standards in business and the professions. The District is supported primarily by dues allocated from member clubs, participation fees from Rotarian members, and reimbursements and grants from Rotary International and The Rotary Foundation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the preparation of the District’s financial statements.

Basis of Accounting

The financial statements of the District are prepared on the accrual basis of accounting which reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the District and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** -Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and specific programs.
- **Net Assets with Donor Restrictions** -Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports contributions restricted by donors as increase in net assets without donor restrictions if the restrictions expire (that is, when a stipulated restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. As of June 30, 2021, the District did not have any net assets with donor restrictions.

Cash and Cash Equivalents

The District considers all cash on deposit with financial institutions and all highly liquid investments with an original maturity of twelve months or less at the date of deposit to be cash equivalents. There were no cash equivalents held by the District as of June 30, 2021.

Concentration of Credit Risk

The District maintains its cash and cash equivalents in commercial banks in the United States which are insured by the Federal Deposit Insurance Corporation (FDIC) which, at times, may reach or exceed Federally insured limits. The District has not experienced any losses in these accounts.

Accounts Receivable and Related Parties

Accounts receivable is comprised of amounts due from members for District's events. Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Management believes all accounts receivable were fully collectable; therefore, no allowance for doubtful accounts receivable was recorded as of June 30, 2021.

The District bills the member clubs for annual dues on July 1st of each year. The dues for the current year have all been received as of June 30, 2021.

Prepaid Expenditures

Prepays are primarily composed of deposits for the District installation dinner and annual conference.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of Revenue

Member dues are recognized as revenue on a pro rata basis covered by the billing. Since the dues are billed on the first day of the fiscal year the pro rata amount is the same as the fiscal year. As such, all dues revenue is recognized in the fiscal year billed. Event and service revenue is recognized when received and earned.

Deferred Revenue

Event fees received in advance are deferred to the applicable period in which the related events are performed.

Income Taxes

The District is a nonprofit entity exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701(d) of the California Revenue and Taxation Code (California Code) and is classified as a charitable organization. Not-for-profit organizations are potentially subject to Federal and State income taxes on activities unrelated to their tax-exempt purpose. The District is not aware of any such activities that it may have engaged in during the year ended June 30, 2021. The District has not taken any uncertain tax positions that would require provision of a liability or disclosure in the financial statements. Accordingly, no provision for income taxes is made in the accompanying financial statements.

Contributed Services

Contributed services are recognized as contributions if services (a) create or enhance non-financial assets, or (b) requires specialized skills, are performed by people with those skills, and would otherwise be purchased by the District.

Many volunteers have contributed significant amounts of their time to activities of the District. The value of the contributed services is not recognized in the financial statements, since it does not meet the criteria for recognition as a contribution.

Functional Expenses

The District allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the

program and supporting services on the basis of time records, space utilized, and estimates made by the District's management.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Pronouncement

The District adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 – Not- for- Profit Entities (Topic 958): Presentation of Financial Statement for Not-for-Entities. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns between not-for-profit entities. The changes required by the update have been applied respectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

NOTE 3 BOARD DESIGNATED NET ASSETS

Net assets without donor restrictions that are designated by the District Governor for specific purposes are as follows:

| | June 30, 2021 |
|----------------|-------------------|
| Youth Exchange | \$ 86,009 |
| Camp Venture | 13,952 |
| Interact | 36,408 |
| Camp Royal | <u>32,719</u> |
| Total | <u>\$ 169,088</u> |

NOTE 4 CONCENTRATIONS

The District's primary source of operations (non-grant) income consists of contributions from club members, attendance at District events for club members and youth programs which represents over 85% of the District's non-grant revenue for the year ended June 30, 2021.

Approximately 53% of the total revenue is derived from The Rotary Foundation for District grants.

The District's market is concentrated in the central portion of Northern California.

NOTE 5 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise of the following:

Financial assets at year-end:

| | |
|------------------------|----------------|
| Cash | \$ 479,943 |
| Other Current Assets | <u>40,300</u> |
| Total financial assets | <u>520,243</u> |

Less amounts not available to be used within one year:

Board designated (169,088)

Financial assets available to meet cash needs for:

General expenditures within one year \$ 351,155

The District Governor has designated a portion of its unrestricted resources for the youth programs. Because of the District Governor's designation, those assets are not available for general expenditures within the next year; however, the District Governor could make them available, if necessary.

As part of the District's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.