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smith &
swallow*

ROTARY INTERNATIONAL DISTRICT 7090

Financial Statements

June 30, 2012

DRAFT

ROTARY INTERNATIONAL DISTRICT 7090

Financial Statements

June 30, 2012

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INDEPENDENT AUDITORS' REPORT

To the Members of Rotary International District 7090

We have audited the accompanying financial statements of Rotary International District 7090, which comprise the balance sheet as at June 30, 2012, and the statements of operations and fund balances, restricted funds and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from its members in the form of dinner, training, and conference fees, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures for the year, and fund balances.

Rotary International District 7090 controls the operations of Rotary District 7090 Youth Exchange Inc. as disclosed in note 4. We were unable to obtain sufficient appropriate audit evidence about the activities of Rotary District 7090 Youth Exchange Inc. for the year ended June 30, 2012 because an audit was not conducted on their records. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Rotary International District 7090 as at June 30, 2012, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Niagara-on-the-Lake, Ontario
October 11, 2012

CRAWFORD, SMITH AND SWALLOW
CHARTERED ACCOUNTANTS LLP
LICENSED PUBLIC ACCOUNTANTS

ROTARY INTERNATIONAL DISTRICT 7090

BALANCE SHEET

June 30, 2012

(stated in U.S. \$)

| Assets | 2012 | 2011 |
|--|----------------|----------------|
| | \$ | \$ |
| Current Assets | | |
| Cash | 261,942 | 239,897 |
| Restricted cash | 4,374 | 7,109 |
| Accounts receivable | 15,853 | 13,812 |
| Prepaid expenses | 10,940 | 1,774 |
| | 293,109 | 262,592 |
| Liabilities and Fund Balances | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | 38,984 | 31,970 |
| Fund Balances | | |
| Restricted funds | 4,374 | 7,109 |
| Unrestricted funds | 249,751 | 223,513 |
| | 254,125 | 230,622 |
| | 293,109 | 262,592 |

Signed on behalf of the board:

_____ District Governor

_____ District Treasurer

See accompanying notes

ROTARY INTERNATIONAL DISTRICT 7090

STATEMENT OF RESTRICTED FUNDS

for the year ended June 30, 2012

(stated in U.S. \$)

| | District History \$ | Council on Legislation \$ | Manual of Procedure \$ | 2012 \$ | 2011 \$ |
|-----------------------------------|---------------------------|------------------------------------|---------------------------------|--------------|--------------|
| Balance, Beginning of Year | 3,486 | 2,735 | 888 | 7,109 | 7,109 |
| Transfers to General Fund | | (2,735) | | (2,735) | |
| Balance, End of Year | 3,486 | | 888 | 4,374 | 7,109 |

See accompanying notes

ROTARY INTERNATIONAL DISTRICT 7090

STATEMENT OF OPERATIONS AND FUND BALANCES

for the year ended June 30, 2012

(stated in U.S. \$)

| | Unaudited Budget \$ | 2012 \$ | 2011 \$ |
|---|---------------------------|----------------|----------------|
| Revenue | | | |
| District Conference | 45,000 | 31,253 | 36,510 |
| District Governor | 15,700 | | 17,480 |
| District Simplified Grants | 24,900 | 24,800 | 24,800 |
| Insurance assessment revenue | 30,000 | 26,405 | 30,654 |
| Interest and other | 1,300 | 531 | 619 |
| Membership dues | 87,400 | 88,098 | 83,946 |
| PETS and District Assembly | 36,850 | 38,232 | 35,871 |
| Rotary Foundation Dinner | 14,000 | | 11,363 |
| Rotary Leadership Institute | 3,000 | 5,969 | |
| RYLA | 30,000 | 33,177 | 31,890 |
| Seminar training | 1,400 | | |
| Slapshot | 20,000 | 22,517 | 17,959 |
| Public relations and communication | | 13,390 | 8,779 |
| Foreign exchange gain (loss) | | (1,420) | 7,089 |
| | 309,550 | 282,952 | 306,960 |
| Expenses | | | |
| Administration - schedule 1 | 45,100 | 27,777 | 45,219 |
| Directors and committees - schedule 1 | 19,200 | 26,303 | 25,281 |
| District Conference | 45,000 | 29,059 | 35,024 |
| District Simplified Grants | 24,900 | 24,729 | 24,800 |
| PETS and District Assembly | 44,150 | 30,710 | 32,164 |
| Rotary Foundation Dinner | 14,000 | | 8,944 |
| Rotary Now DVD | | | 283 |
| RYLA | 30,000 | 31,212 | 31,812 |
| Standing committees - schedule 1 | 34,500 | 37,166 | 32,470 |
| Slapshot | 20,000 | 23,832 | 18,311 |
| Training - schedule 1 | 32,700 | 28,661 | 17,426 |
| | 309,550 | 259,449 | 271,734 |
| Excess of Revenue over Expenses for the Year | | 23,503 | 35,226 |
| Unrestricted Fund Balance, Beginning of Year | 223,513 | 223,513 | 188,287 |
| Transfers from Restricted Funds | | 2,735 | |
| Unrestricted Fund Balance, End of Year | 223,513 | 249,751 | 223,513 |

See accompanying notes

ROTARY INTERNATIONAL DISTRICT 7090

STATEMENT OF CASH FLOWS

for the year ended June 30, 2012

(stated in U.S. \$)

| | 2012 \$ | 2011 \$ |
|--|----------------|----------------|
| Operating Activities | | |
| Excess of revenue over expenses for the year | 23,503 | 35,226 |
| Changes in working capital components | | |
| Accounts receivable | (2,041) | (12,235) |
| Prepaid expenses | (9,166) | 2,066 |
| Accounts payable and accrued liabilities | 7,014 | (29,702) |
| Funds used by operating activities | (4,193) | (39,871) |
| Increase (Decrease) in Cash Position | 19,310 | (4,645) |
| Cash Position, Beginning of Year | 247,006 | 251,651 |
| Cash Position, End of Year | 266,316 | 247,006 |
| Cash Position | | |
| Cash | 261,942 | 239,897 |
| Restricted cash | 4,374 | 7,109 |
| | 266,316 | 247,006 |

See accompanying notes

ROTARY INTERNATIONAL DISTRICT 7090

NOTES TO FINANCIAL STATEMENTS

for the year ended June 30, 2012

(stated in U.S. \$)

Organization

Rotary International District 7090 (the District) is comprised of Rotary Clubs located in Western New York, U.S.A. and Southern Ontario, Canada. The purpose of the District is as follows:

General

Collection of monies from local clubs to be used by the District Governor in order to provide leadership advice and assistance to the various clubs.

District Conference

Host an annual event attended by Rotarians, spouses and guests at which the attendees share fellowship and learn about various Rotary activities.

RYLA

Rotary Youth Leadership Awards (RYLA) is an annual session at which young adults ages 19 - 25 are provided with a week of leadership training.

District Assembly

District Assembly is a program to train and inform club officers of the various Rotary Clubs in the District.

PETS

President Elect Training Sessions (PETS) is a program to train and inform club presidents-elect of the Rotary Clubs in the District.

Rotaract and Interact

The purpose of this program is to assist Clubs to establish and maintain Rotaract and Interact clubs in colleges and high schools, respectively. These clubs provide an opportunity for students to become involved in community and international activities in association with Rotary.

Slapshot

Student Leadership Award Program for Students High on Training (SLAPSHOT) is an annual session at which young adults ages 16 - 18 are provided with a week of leadership training.

ROTARY INTERNATIONAL DISTRICT 7090

NOTES TO FINANCIAL STATEMENTS

for the year ended June 30, 2012

(stated in U.S. \$)

1. Significant Accounting Policies

The financial statements of the organization are the representations of management prepared in accordance with Canadian generally accepted accounting principles, consistently applied. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgement in the light of available information. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Revenue recognition

Revenue is recognized in the fiscal year to which it applies. Accordingly, receivables are recorded for dues or fees uncollected as of the end of the fiscal year. Revenue applicable to a future period is recognized when earned.

The work of the organization is dependent on the voluntary service of many members. Since these services are not normally purchased by the organization and because of the difficulty of determining their value, contributed services are not recognized in these financial statements.

Foreign currency translation

These financial statements are presented in U.S. dollars. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at the balance sheet date. Gains and losses on translation are reflected in net earnings of the period.

Financial instruments

Cash and restricted cash is classified as "held-for-trading" and measured at fair value.

Accounts receivable are classified as "loans and receivables" and are measured at amortized cost, which, upon initial recognition, is considered equivalent to fair value.

Accounts payable and accrued liabilities are classified as "other financial liabilities" and are initially measured at their fair value.

The organization is required to classify fair value measurement using a fair value hierarchy, which includes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

Level 2 - Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets or quoted prices that are derived principally from or corroborated by observable market data or other means;

Level 3 - Unobservable inputs that are supported by little or no market activity.

ROTARY INTERNATIONAL DISTRICT 7090

NOTES TO FINANCIAL STATEMENTS

for the year ended June 30, 2012

(stated in U.S. \$)

1. Significant Accounting Policies - continued

Tax status

The District is a subordinate unit of Rotary International and is covered by a blanket exemption from U.S. federal income tax under Section 501(c)(4) of the Internal Revenue Code as a social welfare organization. The letter of determination from the IRS was dated May 13, 1958, and that status still remains.

Fund accounting

The organization uses the restricted fund method to account for revenues and expenses. The Board of Directors has internally restricted resources for the purposes of updating and publishing a triennial District 7090 history and publishing the District's Manual of Procedure every fifth year. The District also operates a general fund for all other activities.

2. Financial Instruments

Price risk and cash flow risk

The organization has assets and liabilities denominated in both U.S. and Canadian currency that fluctuate in value as current exchange rates change. Accordingly, the organization is exposed to price risk as exchange rates fluctuate.

Recognition and measurement

Level 1 - The fair value of cash, restricted cash, accounts receivable, and accounts payable corresponds to their carrying value due to their short term maturity.

3. District Designated Funds

In addition to District Simplified Grants included in revenue, Rotary International disbursed District Designated Funds on behalf of District 7090 as follows:

| | 2012 | 2011 |
|--|----------------|----------------|
| | \$ | \$ |
| Matching Grants | 24,500 | 38,005 |
| Ambassadorial Scholarship | 26,000 | |
| Polio Plus Fund | 25,000 | 32,000 |
| Group Study Exchange | | 13,000 |
| Rotary Centres for International Studies | 25,000 | 50,000 |
| Other | | 46,500 |
| | 100,500 | 179,505 |

ROTARY INTERNATIONAL DISTRICT 7090

NOTES TO FINANCIAL STATEMENTS

for the year ended June 30, 2012
(stated in U.S. \$)

4. Controlled Entities

The Board of Directors of Rotary District 7090 Youth Exchange Inc. has members in common with District Council of Rotary District 7090. Since the financial statements have not been consolidated, the financial summaries of Rotary District 7090 Youth Exchange Inc., as at June 30, are as follows:

| Financial Position | Unaudited 2012 \$ | Unaudited 2011 \$ |
|---|-------------------------|-------------------------|
| Total Assets | 13,080 | 16,702 |
| Total Liabilities | (3,980) | 3,327 |
| Net Assets | 17,060 | 13,375 |
| | 13,080 | 16,702 |
| Results of Operations | Unaudited 2012 \$ | Unaudited 2011 \$ |
| Total revenues | 50,910 | 52,000 |
| Total expenses | 47,225 | 43,971 |
| Excess of Revenues over Expenses | 3,685 | 8,029 |
| Results of Cash Flows | Unaudited 2012 \$ | Unaudited 2011 \$ |
| Fund provided (used) by operations | (1,196) | 676 |

Rotary District 7090 Youth Exchange Inc. was incorporated in New York State in 2008 and is exempt from U.S. federal income tax under Section 501(3)(c) of the Internal Revenue Code.

The purpose of Youth Exchange is to give high school aged students the opportunity to live in a foreign country for one year. At the same time, foreign students spend one year with local families approved by Rotary District 7090 Youth Exchange Inc.

ROTARY INTERNATIONAL DISTRICT 7090

NOTES TO FINANCIAL STATEMENTS

for the year ended June 30, 2012

(stated in U.S. \$)

5. Recently Issued Accounting Pronouncements

In December 2010, the Canadian Accounting Standards Board ("AcSB") approved new accounting standards for not-for-profit organizations. These new standards are effective for annual financial statements relating to fiscal years beginning on or after January 1, 2012, with earlier application being permitted. The transition date for the organization will be no later than July 1, 2012, as the organization's first year can be no later than June 30, 2013, with a requirement to restate comparative figures, which for the organization would be no later than June 30, 2012. The organization has not yet begun assessing the impact of these new standards on their financial statements.

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ROTARY INTERNATIONAL DISTRICT 7090

Schedule 1

SCHEDULE OF EXPENSES

for the year ended June 30, 2012

(stated in U.S. \$)

| | Unaudited Budget \$ | 2012 \$ | 2011 \$ |
|---------------------------------------|---------------------------|---------------|---------------|
| Administration | | | |
| Assistant Governors | 1,400 | | 100 |
| District Council | 2,300 | 2,800 | 2,886 |
| Governor | 12,700 | | 15,600 |
| Newsletter | 3,000 | 1,500 | 1,125 |
| Office, website maintenance and other | 25,700 | 23,477 | 25,508 |
| | 45,100 | 27,777 | 45,219 |
| Directors and Committees | | | |
| Group Study Exchange | 1,500 | 1,245 | 365 |
| Other | 7,000 | 3,482 | 2,811 |
| Public relations and communication | 8,000 | 20,702 | 13,649 |
| Rotary Foundation | 2,300 | 437 | 7,303 |
| Scholarships | 200 | 200 | 513 |
| World Community Service | 200 | 237 | 640 |
| | 19,200 | 26,303 | 25,281 |
| Standing Committees | | | |
| Finance and audit | 4,500 | 5,000 | 4,245 |
| Insurance | 30,000 | 32,166 | 28,225 |
| | 34,500 | 37,166 | 32,470 |
| Training | | | |
| District Governor | 10,000 | 11,981 | 5,314 |
| District Governor Elect | 10,000 | 6,476 | 5,713 |
| District training | 6,000 | 2,827 | 3,380 |
| District Governor Nominee | 3,600 | 3,218 | 3,019 |
| Rotary leadership institute | 3,100 | 4,159 | |
| | 32,700 | 28,661 | 17,426 |

See accompanying notes