

DALLAS ROTARY CLUB FOUNDATION
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
JUNE 30, 2017



INDEPENDENT AUDITORS' REPORT

The Board of Directors
Dallas Rotary Club Foundation
Dallas, Texas

We have audited the accompanying financial statements of Dallas Rotary Club Foundation (the "Foundation"), which comprise the statement of assets, liabilities, and net assets - modified cash basis as of June 30, 2017, and the related statements of cash receipts, cash disbursements, and other changes in net assets - modified cash basis and cash flows - modified cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in the significant accounting policies disclosure; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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. 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 financial statements.

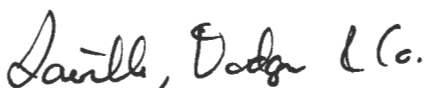
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Foundation as of June 30, 2017, and its cash receipts, cash disbursements, other changes in net assets and cash flows for the year then ended, in accordance with the modified cash basis of accounting as described in the significant accounting policies disclosure.

Basis of Accounting

We draw attention to the significant accounting policies disclosure, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



Saville, Dodgen & Company, P.L.L.C.
Dallas, Texas

February 7, 2018

DALLAS ROTARY CLUB FOUNDATION
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
MODIFIED CASH BASIS
JUNE 30, 2017

ASSETS

ASSETS	
Cash and cash equivalents	\$ 117,905
Investments	2,993,001
Related party receivable	<u>12,529</u>
TOTAL ASSETS	<u><u>\$ 3,123,435</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES	<u>\$ -</u>
NET ASSETS	
Unrestricted	1,789,886
Temporarily restricted	817,706
Permanently restricted	<u>515,843</u>
Total net assets	<u><u>3,123,435</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,123,435</u></u>

See accompanying independent auditors' report and notes.

DALLAS ROTARY CLUB FOUNDATION
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 27,964	\$ 324,619	\$ 33,978	\$ 386,561
Investment income (loss)	270,260	32,856	38,943	342,059
Net assets released from restrictions	326,175	(328,986)	2,811	-
TOTAL SUPPORT AND REVENUE	624,399	28,489	75,732	728,620
EXPENSES				
Program services				
Bike Rodeo	4,202	-	-	4,202
Camp RYLA	1,300	-	-	1,300
Contributions	1,000	-	-	1,000
Dream Team Mentoring	4,368	-	-	4,368
Dream Team Scholarship Fund	16,000	-	-	16,000
I Like Me - Literacy	11,675	-	-	11,675
Interact	893	-	-	893
Kidwell Fund	12,696	-	-	12,696
Margaret Eliasoff Scholarship	48,000	-	-	48,000
Peace Symposium	200	-	-	200
Reserve Fund	1,000	-	-	1,000
Rotary Foundation of Rotary Int: Clean Water Projects	142,261	-	-	142,261
Rotary Foundation of Rotary Int: Other	7,578	-	-	7,578
Safer Dallas Better Dallas	47,641	-	-	47,641
Salute to America's Vets	78,386	-	-	78,386
Stop Hunger Now	10,010	-	-	10,010
Student - Interact Club	100	-	-	100
Teacher Recognition Award	9,966	-	-	9,966
Texas Scottish Rite Hospital	1,000	-	-	1,000
	398,276	-	-	398,276
Supporting activities				
General and administrative	91,419	-	-	91,419
TOTAL EXPENSES	489,695	-	-	489,695
CHANGES IN NET ASSETS	134,704	28,489	75,732	238,925
NET ASSETS, beginning of year	1,655,182	789,217	440,111	2,884,510
NET ASSETS, end of year	\$ 1,789,886	\$ 817,706	\$ 515,843	\$ 3,123,435

See accompanying independent auditors' report and notes.

DALLAS ROTARY CLUB FOUNDATION
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 238,925
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Realized/unrealized gain on investments	(239,425)
Change in operating assets and liabilities:	
Related party receivables	12,471
Net cash provided by operating activities	<u>11,971</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	940,505
Purchase of investments	<u>(905,546)</u>
Net cash provided by investing activities	<u>34,959</u>
INCREASE IN CASH AND CASH EQUIVALENTS	46,930
CASH AND CASH EQUIVALENTS, beginning of year	<u>70,975</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 117,905</u></u>

See accompanying independent auditors' report and notes.

DALLAS ROTARY CLUB FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

ORGANIZATION AND NATURE OF ACTIVITIES

Nature of the Foundation

The Dallas Rotary Club Foundation (the “Foundation”, “we”, “us”, or “our”) was formed to serve the community of Dallas by providing funding for education, civic, and welfare related activities. We are primarily supported by contributions from members of The Rotary Club of Dallas, investment income, and donations from the general public.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our financial statements have been prepared using the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis of accounting, as herein applied, does not include fair value measurements and endowment-related disclosures required by generally accepted accounting principles. Investments are recorded and carried at fair market value. Contributions are recorded when received. Expenses are recorded when paid.

In addition, our financial statements have been prepared to present revenues, expenses, gains, losses, and net assets according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of transactions into three classes of net assets – unrestricted, temporarily restricted, and permanently restricted net assets. Accordingly, net assets and changes therein are classified as follows:

Unrestricted – Net assets not subject to donor-imposed stipulations.

Temporarily restricted – Net assets subject to donor-imposed stipulations that may, or will, be met by actions of the Foundation and/or passage of time.

Permanently restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

See accompanying independent auditors’ report.

DALLAS ROTARY CLUB FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates (Continued)

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investments will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position. Significant fluctuations in fair values could occur from year to year, and the amounts ultimately realized could differ materially.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with maturities of three months or less when purchased. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

Investment Income

Investments are recorded and carried at fair value. Unrealized gains and losses are included in investment income. Donated marketable securities are recorded as contributions at fair value as of the date of donation.

Unrealized investment gains and losses increase and decrease, respectively, unrestricted net assets unless the unrealized appreciation or depreciation is associated with investments underlying permanently restricted net assets in cases where the donor requires that these amounts increase or reduce the amount permanently restricted.

Realized gains and dividend and interest income increase unrestricted net assets unless these amounts are required to be used for certain programs or during specified time periods in which cases these amounts would increase temporarily restricted net assets. Realized losses reduce unrestricted net assets unless these amounts are associated with investments underlying permanently restricted net assets in cases where the donor requires that these amounts reduce permanently restricted net assets.

Permanently restricted net assets generally cannot be reduced by unrealized and realized losses below the amount originally donated.

Contributions

Contributions are reflected as increases in unrestricted net assets if the contribution is made with no donor restrictions. Contributions received from donors that designate a specific purpose or time restriction are recorded as increases in temporarily restricted net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions received that have permanent restrictions are recorded as increases in permanently restricted net assets.

See accompanying independent auditors' report.

DALLAS ROTARY CLUB FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related Party Transactions

We pay an administrative fee to The Rotary Club of Dallas, a related party, for various administrative services provided to us. During the year ended June 30, 2017, the administrative fee amounted to approximately \$36,069.

During the year ended June 30, 2016, we entered into a note receivable with The Rotary Club of Dallas for \$25,000 bearing interest at the 90-day Treasury rate plus 1%. The loan is intended to be short term and the repayment is expected in two installments, the first of which was received this fiscal year. The balance in the related party receivable as of year-end is \$12,529.

Income Tax Status

We are a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. We qualify for the charitable contribution deduction under Section 170(b)(1)(A) and are not classified as a private foundation under Section 509(a)(2). We are exempt from federal income tax on income related to our exempt purpose. Accordingly, no provision has been made for federal income taxes in the accompanying financial statements.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Foundation pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific assistance programs and various committee assignments.

INVESTMENTS

Investments are carried at fair value and consisted of the following as of June 30, 2017:

Mutual funds	<u>\$ 2,993,001</u>
Total investments	<u>\$ 2,993,001</u>

Components of investment income for the year ended June 30, 2017 were as follows:

Interest	\$ 278
Dividends	102,356
Realized/unrealized gain (loss)	<u>239,425</u>
Total investment income	<u>\$ 342,059</u>

See accompanying independent auditors' report.

DALLAS ROTARY CLUB FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NET ASSETS

Net assets were comprised of the following as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Unrestricted net assets	\$ 1,789,886	\$ -	\$ -	\$ 1,789,886
Restricted net assets:				
Centennial Project	-	26,843	-	26,843
Cooper Family Emergency Fund	-	45,008	-	45,008
Dream for Scholars Fund	-	217,997	280,915	498,912
Eliassof Fund	-	196,186	-	196,186
Human Rights Symposium	-	300	-	300
Kidwell Family Emergency Fund	-	196,345	-	196,345
Rotary International	-	100	-	100
Russell Revell, Jr. Scholarship	-	18,511	16,327	34,838
Safer Dallas, Better Dallas	-	27,954	-	27,954
Safer Dallas, Better Dallas – K-9	-	4	-	4
Student Interact Funds	-	2,770	-	2,770
Teachers Recognition Award	-	8,459	160,990	169,449
Ted Buhl Fund	-	-	43,803	43,803
Water Well Project – Ghana	-	47,461	-	47,461
Water Wells Project – Zambia	-	21,636	-	21,636
Women of Rotary Scholarship Fund	-	8,132	13,808	21,940
Total net assets	\$ 1,789,886	\$ 817,706	\$ 515,843	\$ 3,123,435

CONCENTRATIONS

We depend on investment income and contributions to support our mission and administer our programs. Contributions from one donor comprised approximately 39% of total contributions during the year ended June 30, 2017.

We maintain our cash and cash equivalents at a single brokerage institution. Investment assets are not insured against a decline in value and are subject to market risks. We carry a diversified portfolio of investment holdings, consisting primarily of mutual funds, which are held by the same brokerage institution.

Cash amounts on deposit with financial institutions may periodically exceed amounts insured by the Federal Deposit Insurance Corporation.

See accompanying independent auditors' report.

DALLAS ROTARY CLUB FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SUBSEQUENT EVENTS

The Foundation evaluated subsequent events that occurred from July 1 to February 7, 2018, which is the date these financial statements were available to be issued, and no subsequent events that met recognition or disclosure criteria were identified.

SUPPLEMENTAL INFORMATION



INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

The Board of Directors
Dallas Rotary Club Foundation
Dallas, Texas

We have audited the financial statements of Dallas Rotary Club Foundation for the period July 1, 2016 to June 30, 2017, and have issued our report thereon dated February 7, 2018, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Schedule of General and Administrative Expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Saville, Dodgen & Co.

Saville, Dodgen & Company, P.L.L.C.
Dallas, Texas

February 7, 2018

DALLAS ROTARY CLUB FOUNDATION
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

Accounting and audit	\$ 23,050
Administrative fee	36,069
Bank charges	937
Dreams for Scholars administrative fee	16,250
Foundation awards	397
Investment fees	14,501
Office expenses	91
Postage	124
	<u>\$ 91,419</u>

See accompanying independent auditors' report.