



Finance Committee
Rotary Club of Milwaukee and Affiliates
Milwaukee, Wisconsin

In planning and performing our audit of the combined financial statements of Rotary Club of Milwaukee and Affiliates ("Organization") as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's combined financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated August 31, 2023 on the financial statements of the Organization. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

Other Matters

Separation of Duties

The Organization operates its accounting and reporting function with a limited number of staff, which precludes a proper segregation of duties. This condition is not, however, unusual in entities the size of the Organization. It is important for management to be aware of this condition and to realize that the concentration of duties and responsibilities in a few individuals is not desirable from a control point of view. Under these conditions, the most effective controls rest in management's knowledge and monitoring of matters relating to the Organization's financial affairs. The following procedures were performed to help mitigate the above weakness:

- 1) Monthly review by the Treasurer of the bank statements and copies of cancelled checks
- 2) Periodic review by the Treasurer of credit card statements

Reilly, Penner & Benton LLP

1233 N. Mayfair Road Suite #302 • Milwaukee, WI 53226-3255 • 414-271-7800

www.rpb.biz

We have audited the combined financial statements of the Organization for the year ended June 30, 2023, and have issued our report thereon dated August 31, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 3, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Organization are described in Note 2 to the combined financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year audited. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the combined financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the depreciable lives of its fixed assets is based on estimated useful lives.
- Management's estimate of the allocation of expenses for the schedule of functional expenses.

We evaluated the key factors and assumptions used to develop the aforementioned estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The combined financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Significant Audit Findings (Continued)

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the combined financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 31, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's combined financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Finance Committee, Board of Directors, and management of Rotary Club of Milwaukee and Affiliates and is not intended to be and should not be used by anyone other than these specified parties.



August 31, 2023
Milwaukee, Wisconsin

ROTARY CLUB OF MILWAUKEE AND AFFILIATES
Milwaukee, Wisconsin

Audited Combined Financial Statements

Year Ended June 30, 2023
With Summarized Totals for June 30, 2022

Table of Contents

	<u>Page(s)</u>
Independent Auditors' Report	1 - 2
Combined Statements of Financial Position	3
Combined Statements of Activities	4
Combined Statement of Functional Expenses	5
Combined Statements of Cash Flows	6
Notes to Combined Financial Statements	7 - 16



Independent Auditors' Report

Board of Directors
Rotary Club of Milwaukee and Affiliates
Milwaukee, Wisconsin

Opinion

We have audited the accompanying combined financial statements of Rotary Club of Milwaukee and Affiliates (a nonprofit organization) which comprise the combined statement of financial position as of June 30, 2023, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Rotary Club of Milwaukee and Affiliates as of June 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Combined Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rotary Club of Milwaukee and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rotary Club of Milwaukee and Affiliates' ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited Rotary Club of Milwaukee and Affiliates' June 30, 2022 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated October 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.



August 31, 2023
Milwaukee, Wisconsin

ROTARY CLUB OF MILWAUKEE AND AFFILIATES
Milwaukee, Wisconsin

Combined Statements of Financial Position
June 30, 2023
With Summarized Information as of June 30, 2022

	Club	RCM	RCM	Perpetual	Totals	
		Community	Community		2023	2022
		Fund	Trust	Trust		
ASSETS						
Current Assets:						
Cash and equivalents	\$ 138,405	\$ 216,186	\$ ---	\$ ---	\$ 354,591	\$ 361,284
Investments	135,400	---	4,549,864	---	4,685,264	4,272,017
Members' accounts receivable	267,571	---	---	---	267,571	223,050
Accounts receivable - other	6,000	---	---	---	6,000	1,208
Accounts receivable - Live at the Lakefront	---	5,000	---	---	5,000	---
Accounts receivable - Community Classic	---	1,750	---	---	1,750	8,100
Allowance for bad debts	(1,174)	---	---	---	(1,174)	(1,174)
Due from Operating Fund	---	---	18,550	---	18,550	17,850
Due from RCM Community Fund	750	---	---	---	750	---
Promises to give	---	10,900	50,000	---	60,900	48,000
Prepaid expenses	---	---	---	---	---	1,357
Total current assets	546,952	233,836	4,618,414	---	5,399,202	4,931,692
Furniture and equipment, net of accumulated depreciation of \$98,971 and \$98,907, respectively						
	---	---	---	---	---	64
Non-current and other assets:						
Ownership interest in perpetual trust	---	---	---	300,033	300,033	291,582
Long-term portion of promises to give	---	10,900	25,000	---	35,900	109,300
Total other assets	---	10,900	25,000	300,033	335,933	400,882
Total assets	\$ 546,952	\$ 244,736	\$ 4,643,414	\$ 300,033	\$ 5,735,135	\$ 5,332,638
LIABILITIES AND NET ASSETS						
Current Liabilities:						
Accounts payable and other accrued expenses	\$ 9,283	\$ ---	\$ ---	\$ ---	\$ 9,283	\$ 24,607
Due to Rotary International Foundation	15,650	500	---	---	16,150	13,350
Due to Operating Fund	---	750	---	---	750	---
Due to RCM Community Trust	18,550	---	---	---	18,550	17,850
Agency payable	---	5,410	---	---	5,410	7,410
Payable to War Memorial Center	---	---	---	---	---	5,000
Payable to River Revitalization Foundation	---	---	5,000	---	5,000	5,000
Payable to Marcus Center	---	---	10,000	---	10,000	10,000
Deferred revenue - dues and meals	261,351	---	---	---	261,351	245,090
Deferred revenue - trust contribution	---	---	16,450	---	16,450	15,700
Deferred revenue - Live at the Lakefront	---	20,000	---	---	20,000	---
Deferred revenue - Community Classic	---	---	---	---	---	26,400
Total current liabilities	304,834	26,660	31,450	---	362,944	370,407
Long-Term Liabilities:						
Payable to River Revitalization Foundation	---	---	---	---	---	5,000
Payable to Marcus Center	---	---	---	---	---	15,000
Total long-term liabilities	---	---	---	---	---	20,000
Net Assets:						
Without donor restrictions:						
Undesignated	135,757	---	---	---	135,757	150,067
Board designated - Sustaining memberships	106,361	---	---	---	106,361	92,581
Board designated - Live at the Lakefront	---	17,193	---	---	17,193	18,088
Board designated - Trust Carryover	---	---	32,903	---	32,903	13,853
Board designated - Endowed scholarship fund	---	---	197,631	---	197,631	183,324
Board designated - International projects funds	---	---	16,010	---	16,010	7,813
Board designated - Emergency fund	---	---	1,739	---	1,739	1,596
With donor restrictions (see Note 8)	---	200,883	4,363,681	300,033	4,864,597	4,474,909
Total net assets	242,118	218,076	4,611,964	300,033	5,372,191	4,942,231
Total liabilities and net assets	\$ 546,952	\$ 244,736	\$ 4,643,414	\$ 300,033	\$ 5,735,135	\$ 5,332,638

The accompanying notes to financial statements are an integral part of these statements.

ROTARY CLUB OF MILWAUKEE AND AFFILIATES
Milwaukee, Wisconsin

Combined Statements of Activities
Year Ended June 30, 2023

With Summarized Information For the Year Ended June 30, 2022

	Without donor restrictions			With Donor Restrictions			Totals	
	Club	RCM Community Trust	RCM Community Fund	RCM Community Fund	RCM Community Trust	Perpetual Trust	2023	2022
Revenues:								
Exchange transactions:								
Member dues	\$ 460,422	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 460,422	\$ 401,460
Website revenue	7,600	---	---	---	---	---	7,600	8,767
Live at the Lakefront sponsorships	---	---	30,000	---	---	---	30,000	---
Total exchange transactions	468,022	---	30,000	---	---	---	498,022	410,227
Nonexchange transactions								
Trust administrative support payments	10,000	---	---	---	---	---	10,000	10,000
Sustaining member revenue	13,780	---	---	---	---	---	13,780	14,670
Guatemala trip income	41,735	---	---	---	---	---	41,735	---
Miscellaneous income	10,075	---	---	---	---	---	10,075	365
Contributions	---	89,628	---	44,475	112,026	---	246,129	530,080
Danayt Raile Scholarship contributions	---	---	---	---	---	---	---	50,050
Other grant income	---	---	---	64,400	---	---	64,400	3,000
MKE Urban Stables income	---	---	---	---	---	---	---	---
Total nonexchange transactions	75,590	89,628	---	108,875	112,026	---	386,119	608,165
Special events:								
Gross Community Classic revenue	---	---	---	159,768	---	---	159,768	121,514
Less: direct benefit to donors	---	---	---	(21,522)	---	---	(21,522)	(20,341)
Net special events revenue	---	---	---	138,246	---	---	138,246	101,173
Investment income:								
Interest and dividends	1,837	4,747	---	---	99,315	---	105,899	89,608
Gain (loss) on sale of securities	---	(95)	---	---	107,828	---	107,733	111,041
Unrealized gain (loss) on investments	---	12,578	---	---	215,343	---	227,921	(828,785)
Investment expenses	---	(1,422)	---	---	(31,153)	---	(32,575)	(33,194)
Net investment income (loss)	1,837	15,808	---	---	391,333	---	408,978	(661,330)
Other income								
Change in fair value of ownership interest in perpetual trust	---	---	---	---	---	24,564	24,564	(62,562)
Net assets released from restrictions	---	173,431	211,925	(211,925)	(157,318)	(16,113)	---	---
Total revenue	545,449	278,867	241,925	35,196	346,041	8,451	1,455,929	395,673
Expenses:								
Program	477,715	237,170	242,820	---	---	---	957,705	721,008
Management and general	40,958	---	---	---	---	---	40,958	36,366
Fundraising	27,306	---	---	---	---	---	27,306	24,244
Total expenses	545,979	237,170	242,820	---	---	---	1,025,969	781,618
Change in net assets	(530)	41,697	(895)	35,196	346,041	8,451	429,960	(385,945)
Net Assets - Beginning of Year	242,648	206,586	18,088	165,687	4,017,640	291,582	4,942,231	5,328,176
Net Assets - End of Year	\$ 242,118	\$ 248,283	\$ 17,193	\$ 200,883	\$ 4,363,681	\$ 300,033	\$ 5,372,191	\$ 4,942,231

The accompanying notes to financial statements are an integral part of these statements.

ROTARY CLUB OF MILWAUKEE
Milwaukee, Wisconsin

Combined Statement of Functional Expenses

Year Ended June 30, 2023

With Summarized Information For the Year Ended June 30, 2022

	Program	Management and General	Fundraising	Direct Benefit to Donor	Totals	
					2023	2022
Club expenses:						
Direct member expenses	\$ 131,224	\$ ---	\$ ---	\$ ---	\$ 131,224	101,111
General operating expenses:						
Salaries and benefits	196,815	29,522	19,682	---	246,019	205,323
Office rent	9,768	1,465	977	---	12,210	11,615
Depreciation	51	8	5	---	64	698
Other operating expenses	31,029	4,654	3,103	---	38,786	43,783
Total general operating expenses	237,663	35,649	23,767	---	297,079	261,419
District & R.I.	35,390	5,309	3,539	---	44,238	41,623
Club Services	23,644	---	---	---	23,644	17,396
Community awareness	5,083	---	---	---	5,083	12,492
International service	---	---	---	---	---	---
Person of the year	2,601	---	---	---	2,601	2,086
Guatemala trip expenses	41,735	---	---	---	41,735	---
District Special Assessment	375	---	---	---	375	42
Total Club expenses	477,715	40,958	27,306	---	545,979	436,169
RCM Community Trust expenses:						
New grants paid out of trust	209,589	---	---	---	209,589	145,586
Miscellaneous trust disbursements	27,581	---	---	---	27,581	15,739
Total RCM Community Trust expenses	237,170	---	---	---	237,170	161,325
RCM Community Fund expenses:						
General scholarships paid	77,000	---	---	---	77,000	53,750
Danayt Raile scholarship expenses	20,606	---	---	---	20,606	14,628
Scholarship program operations	20,874	---	---	---	20,874	13,311
Live at the Lakefront	30,895	---	---	---	30,895	---
MKE Urban Stables expenses	---	---	---	---	---	3,446
Transfer to RCM Community Trust	23,000	---	---	---	23,000	75,500
Community Classic Expenses	25,434	---	---	21,522	46,956	40,770
Other community fund projects	45,011	---	---	---	45,011	3,060
Total RCM Community Fund expenses	242,820	---	---	21,522	264,342	204,465
Subtotal	\$ 957,705	\$ 40,958	\$ 27,306	\$ 21,522	\$ 1,047,491	\$ 801,959
Less expenses included with revenues on the combined statements of activities	---	---	---	(21,522)	(21,522)	(20,341)
Total expenses	\$ 957,705	\$ 40,958	\$ 27,306	\$ ---	\$ 1,025,969	\$ 781,618

The accompanying notes to financial statements are an integral part of these statements.

ROTARY CLUB OF MILWAUKEE AND AFFILIATES
Milwaukee, Wisconsin

Combined Statements of Cash Flows
Years Ended June 30, 2023 and June 30, 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 429,960	\$ (385,945)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	64	698
Change in fair value of ownership interest in perpetual trust	(24,564)	62,562
Funds remitted by perpetual trust to RCM Community trust	16,113	15,323
(Gain) loss on sale of investments	(107,733)	(111,041)
Unrealized (gain) on investments	(227,921)	828,785
Change in assets and liabilities:		
Accounts receivable	(47,963)	(56,095)
Promises to give	60,500	(145,600)
Prepaid expenses	1,357	(1,207)
Due to Rotary International Foundation	2,800	1,800
Agency payable	(2,000)	2,000
Payable to MKE Urban Stables, Inc.	---	---
Payable to War Memorial Center	(5,000)	5,000
Payable to River Revitalization Foundation	(5,000)	(5,000)
Payable to Marcus Center	(15,000)	(25,000)
Payable to Milwaukee Public Library	---	(25,000)
Accrued liabilities	---	---
Accounts payable	(15,324)	2,550
Deferred revenue	10,611	34,875
Total adjustments	(359,060)	584,650
Net cash provided by operating activities	70,900	198,705
Cash Flows provided by Investing Activities:		
Purchase of investments	(1,547,242)	(2,056,098)
Proceeds on sale of investments	1,469,649	1,804,624
Net cash used by investing activities	(77,593)	(251,474)
Net decrease in cash and equivalents	(6,693)	(52,769)
Cash and equivalents at beginning of year	361,284	414,053
Cash and equivalents at end of year	\$ 354,591	\$ 361,284

The accompanying notes to financial statements are an integral part of these statements.

ROTARY CLUB OF MILWAUKEE AND AFFILIATES
Milwaukee, Wisconsin

Notes to Combined Financial Statements
June 30, 2023 and 2022

1. Description of Organization

The Rotary Club of Milwaukee (“Club”) is a service organization of business, professional and community leaders who make a difference in the lives of people in their communities and around the world. Rotarians work together to find solutions for issues of poverty, illiteracy, clean water, environmental improvement, hunger, disease and many more. The Club is an affiliate of Rotary International.

The RCM Community Fund was created in 2015 for the purpose of providing educational opportunities for the economically disadvantaged children and to generally support the charitable work of the RCM Community Trust and the Rotary Club of Milwaukee. The funds in the RCM Community Fund are not commingled with the Club and are in a separate legal entity.

The RCM Community Trust (“Trust”) provides the resources for much of the charitable work in the community. It both accepts tax deductible contributions and makes grants to local organizations. Segregated funds within the Trust include: A.D. Robertson Fund for the United Nations, the Orth Family Fund, the Smith Scholarship Fund, the Board of Directors Scholarship Fund, the Endowed Scholarship Fund, the Adams Scholarship Fund, the Lovell Scholarship Fund, the Herd Scholarship Fund, the Carol James Scholarship Fund, the MacNeil Scholarship Fund, the Borris Scholarship Fund, the Grunau Scholarship Fund, the Urban Day School Scholarship Fund, the Fallen Hero Honor Ride Scholarship Fund, the Chevalier Family Scholarship Fund, and the Johnsons Park Endowment Fund.

The International Projects Fund is also a segregated fund of the Trust that was created in 2007 for the specific purpose of accepting and distributing contributions to support the charitable work of the Club outside the United States. The funds in the International Projects Fund are not commingled with the corpus of the Trust.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Rotary Club are described below:

Combined Financial Statements

The combined financial statements include the accounts of the The Rotary Club of Milwaukee, RCM Community Trust, International Projects Fund, and RCM Community Fund. All significant intercompany transactions and accounts are eliminated.

Basis of Presentation

The combined financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables and payables, and other liabilities and prepaid expenses.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets 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 board has designated, from net assets without donor restrictions, net assets for the Live at the Lakefront program, from Sustaining memberships, for Endowed scholarships, for International projects, an Emergency Fund, and for a carryover of unspent trust funds.

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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

ROTARY CLUB OF MILWAUKEE AND AFFILIATES
Milwaukee, Wisconsin

Notes to Combined Financial Statements
June 30, 2023 and 2022
(Continued)

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

The Organization recognizes revenue based on the existence or absence of an exchange transaction. The Organization recognizes revenue from exchange transactions when it satisfies a performance obligation by providing a service to a customer or member or by transferring control over a product to a customer or member.

Revenue from performance obligations satisfied at a point in time consists of the following:

Member dues, Live at the Lakefront sponsorships, and website revenue – recognized as performance obligations are met

Revenue from non-exchange transactions consist of the following:

Contributions of cash and pledges receivable - received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue and net assets without donor restriction. Unconditional contributions expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized at prime interest rate and is reported as contribution revenue.

Revenue that has characteristics of both exchange and non-exchange transactions consist of the following:

Special event revenue – The direct benefit to donors is recognized as revenue as an exchange transaction, while the remaining is recognized as a non-exchange contribution.

Allocation of Functional Expenses

The costs of program and supporting services activities have been summarized on the functional basis in the combined statements of activities. The combined statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, operating and District and R.I. expenses have been allocated among the categories based on the appropriate level of employee full-time equivalents worked within that program. The remaining expenses within the combined statement of functional expenses are direct expenses and therefore no allocation of expenses between program and supporting services is deemed necessary.

Summarized Financial Information

The combined financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with the Club's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

ROTARY CLUB OF MILWAUKEE AND AFFILIATES
Milwaukee, Wisconsin

Notes to Combined Financial Statements
June 30, 2023 and 2022
(Continued)

2. Summary of Significant Accounting Policies (Continued)

Cash and Equivalents

Cash and equivalents consist of checking and savings account balances.

Accounts Receivable

Accounts receivable are reported at contract value, less an estimate for uncollectible amounts based on experience relative to the total population of accounts receivable.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful life of the asset.

Valuation of Investments

Investments are reported at fair value. Investments in marketable securities with readily determinable fair value and all investments in debt securities are valued at their fair value in the statements of financial position. Unrealized gains and losses are included in the change of net assets. GAAP establishes a hierarchy that prioritizes the inputs for measuring fair value. Those inputs are summarized as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Club has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023.

U.S. government securities and corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Club are deemed to be actively traded.

Annuity contracts, certificates of deposit, life insurance policies: Valued at the estimated market values as provided by outside parties.

ROTARY CLUB OF MILWAUKEE AND AFFILIATES
Milwaukee, Wisconsin

Notes to Combined Financial Statements
June 30, 2023 and 2022
(Continued)

2. Summary of Significant Accounting Policies (Continued)

Valuation of Investments (Continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Club believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Ownership Interest in Perpetual Trust

The Club's ownership interest in the Perpetual Trust (Bell Trust) is recorded at their share (20%) of the fair value of the Trust's assets at June 30, 2023.

Estimates

The preparation of combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status

The Club is exempt from income taxes under the Internal Revenue Code Section 501(c)(4) and the related Wisconsin code sections. The RCM Community Fund and Trust are exempt from income taxes under the Internal Revenue Code Section 501(c)(3) and the related Wisconsin code sections.

The Club has implemented accounting for uncertainty in income taxes in accordance with U.S. GAAP. This standard prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognizing, interest, penalties and disclosures required. The Club recognizes interest and penalties, if any, related to unrecognized tax liabilities in income tax expense.

Subsequent Events

Management has evaluated subsequent events for possible recognition or disclosure through the date the combined financial statements were available to be distributed (August 31, 2023). There were no additional subsequent events requiring recording or disclosure in the combined financial statements or related notes to the combined financial statements.

Recently Adopted Accounting Guidance – Adoption of ASC 842

Effective July 1, 2022, the Club adopted FASB ASC 842, Leases. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. While the Club does not have any finance or operating leases that fall under ASC 842, it does have a short-term lease.

The Club has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a short-term basis.

ROTARY CLUB OF MILWAUKEE AND AFFILIATES
Milwaukee, Wisconsin

Notes to Combined Financial Statements
June 30, 2023 and 2022
(Continued)

3. Liquidity and Availability

The Club strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements, if any, would be invested in short-term investments. The table below presents financial assets available for general expenditures within one year:

	June 30, 2023	June 30, 2022
Financial assets:		
Cash and equivalents	\$ 354,591	\$ 361,284
Investments	4,685,264	4,272,017
Accounts receivable and promises to give	375,947	388,484
Total financial assets	\$ 5,415,802	\$ 5,021,785
Less amounts not available to be used within one year for general expenditures:		
Net assets with donor restrictions	(4,864,597)	(4,474,909)
Net assets without donor restrictions – board designated	(371,837)	(317,255)
Financial assets available to meet general expenditures within one year	\$ 179,368	\$ 229,621

The Club's Board has designated amounts otherwise without donor restrictions. These board designated funds can be made available to meet operating needs if necessary. During the years ended June 30, 2023 and 2022, the Club was able to meet its cash needs without utilizing designated reserves.

4. Investments

Investments at June 30, 2023 and 2022 consist of the following:

	June 30, 2023		June 30, 2022	
	Market	Cost	Market	Cost
Operating fund:				
Certificates of deposit	\$ 100,896	\$ 100,896	\$ 100,437	\$ 100,437
Annuity contract	34,504	34,504	34,504	34,504
Total	\$ 135,400	\$ 135,400	\$ 134,941	\$ 134,941
Trust:				
Money market funds	\$ 368,070	\$ 368,070	\$ 160,634	\$ 160,634
Corporate bonds	115,456	123,190	---	---
U.S. Government securities	49,344	50,059	---	---
Mutual funds	3,962,749	3,402,375	3,923,706	3,599,478
Life insurance policies	54,245	52,077	52,736	52,077
Total	\$ 4,549,864	\$ 3,995,771	\$ 4,137,076	\$ 3,812,189

ROTARY CLUB OF MILWAUKEE AND AFFILIATES
Milwaukee, Wisconsin

Notes to Combined Financial Statements
June 30, 2023 and 2022
(Continued)

4. Investments (Continued)

The following summarizes the classification of investments by classification and method of valuation in accordance with accounting principles generally accepted in the United States of America as of June 30, 2023:

<u>Description</u>	<u>Totals</u>	<u>Fair Value Measurement at Reporting Date Using</u>		
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Mutual funds:				
Domestic equity funds	\$ 2,549,416	\$ 2,549,416	\$ ---	\$ ---
International equity funds	791,521	791,521	---	---
Fixed income funds	621,812	621,812	---	---
Certificates of deposit	100,896	100,896	---	---
Life insurance policies	54,245	---	54,245	---
Annuity contract	34,504	---	34,504	---
Corporate bonds	115,456	---	115,456	---
U.S. Government securities	49,344	---	49,344	---
Money market funds	368,070	368,070	---	---
Total	\$ 4,685,264	\$ 4,431,715	\$ 253,549	\$ ---

The following summarizes the classification of investments by classification and method of valuation in accordance with accounting principles generally accepted in the United States of America as of June 30, 2022:

<u>Description</u>	<u>Totals</u>	<u>Fair Value Measurement at Reporting Date Using</u>		
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Mutual funds:				
Domestic equity funds	\$ 2,342,553	\$ 2,342,553	\$ ---	\$ ---
International equity funds	653,644	653,644	---	---
Fixed income funds	927,509	927,509	---	---
Certificates of deposit	100,437	100,437	---	---
Life insurance policies	52,736	---	52,736	---
Annuity contract	34,504	---	34,504	---
Money market funds	160,634	160,634	---	---
Total	\$ 4,272,017	\$ 4,184,777	\$ 87,240	\$ ---

ROTARY CLUB OF MILWAUKEE AND AFFILIATES
Milwaukee, Wisconsin

Notes to Combined Financial Statements
June 30, 2023 and 2022
(Continued)

5. Promises to Give

Promises to give as of June 30, 2023 and 2022 are expected to be received as follows:

	<u>2023</u>	<u>2022</u>
In one year or less	\$ 60,900	\$ 48,000
Between one year and three years	35,900	109,300
Total	\$ 96,800	\$ 157,300

6. Deferred Revenue

The amount of deferred revenue in the operating fund at June 30, 2023 and 2022 was due to the billings for dues and luncheons for the 2023-2024 and 2022-2023 years, respectively. Deferred revenues related to the Community Classic, Live at the Lakefront, and the trust contribution are separately classified on the combined statements of financial position.

7. Special Events

Special event activities are reported by their natural classification in the statements of activities. Gross special event revenues and expenses are as follows for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Revenue:		
Non-exchange contributions	\$ 159,768	\$ 121,514
Exchange direct benefit to donor	(21,522)	(20,341)
Total revenue	138,246	101,173
Expenses:		
Incidental benefits	25,434	20,429
Special events, net	\$ 112,812	80,744

The Club had the following related to the special events for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 1,750	\$ 8,100
Deferred Revenue	---	26,400

ROTARY CLUB OF MILWAUKEE AND AFFILIATES
Milwaukee, Wisconsin

Notes to Combined Financial Statements
June 30, 2023 and 2022
(Continued)

8. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following:

	<u>2023</u>	<u>2022</u>
Rotary Club of Milwaukee Community Trust – Supports the Club's charitable work in the local community	\$ 2,559,463	\$ 2,380,994
A.D. Robertson Fund for the U.N. – To be used to assist funding to enhance understanding of the work that the United Nations undertakes around the globe	306,676	286,357
Scholarship Funds – Distributions from the Scholarship Fund, the Smith Scholarship Fund, the Adams Scholarship Fund, the Lovell Scholarship Fund, the Herd Scholarship Fund, The Carol James Scholarship Fund, The MacNeil Scholarship Fund, The Borris Scholarship Fund, The Grunau Scholarship Fund, The Chevalier Family Scholarship Fund, The Urban Day School Scholarship, and the Fallen Hero Honor Ride Scholarship Fund may be used only to award scholarships	879,653	756,117
Orth Family Fund – Distributions from the Orth Family Fund may be made for the direct conduct of charitable activities inside or outside the State of Wisconsin	359,955	355,378
RCM Community Fund (Scholarships) – to be used to provide educational opportunities for economically disadvantaged children	172,367	116,565
RCM Community Fund (Danayt Raile Scholarship) – to support the nursing education of Danayt Raile	28,516	49,122
Johnsons Park Endowment Fund – to be used for the restoration and cleanup of Johnson Park	257,934	238,794
Ownership Interest in Perpetual Trust – The Club was named as the beneficiary of a portion of a perpetual trust held by a third party. Under the terms of the trust, the Club has the irrevocable right to receive the income earned on the trust assets in perpetuity, but never receives the assets held in trust. The Club's interest in the trust has been recorded as a net asset with donor restriction.	300,033	291,582
Total net assets with donor restriction	<u>\$ 4,864,597</u>	<u>\$ 4,474,909</u>

9. Board Designated Net Assets

As of June 30, 2023 and 2022, the Board of Directors has designated net assets without donor restrictions for the following purposes:

	<u>2023</u>	<u>2022</u>
Live at the Lakefront	\$ 17,193	\$ 18,088
Endowed scholarship fund	197,631	183,324
International projects fund	16,010	7,813
Emergency scholarship fund	1,739	1,596
Sustaining memberships	106,361	92,581
Trust carryover	32,903	13,853
Total designated net assets without donor restrictions	<u>\$ 371,837</u>	<u>\$ 317,255</u>

ROTARY CLUB OF MILWAUKEE AND AFFILIATES
Milwaukee, Wisconsin

Notes to Combined Financial Statements
June 30, 2023 and 2022
(Continued)

10. Net Assets Released From Restrictions

Net assets released consisted of the following for the year ended June 30, 2023:

Trust:	
RCM Community Trust	\$ 90,238
A.D. Robertson Fund for The United Nations	6,330
Johnson Park Fund	3,000
Scholarship Funds	26,500
Orth Family Fund	31,250
Total trust	157,318
RCM Community Fund:	
Scholarships paid and related expenses	118,480
Other Community Fund projects	45,011
Incidental Community Classic expenses	25,434
Contribution to RCM Endowed Scholarship Fund	23,000
Total RCM Community Fund	211,925
Perpetual Trust:	
Funds remitted by perpetual trust to RCM Community trust	16,113
Total net asset released from restrictions	\$ 385,356

11. Lease Commitments

The Club leases its office space on a year-to-year basis from January 1 to December 31. Monthly rent payments are \$1,050. Future lease commitments are summarized below:

Year Ended June 30,	
2024	\$ <u>6,300</u>

12. Retirement Plan

The Club sponsors a retirement plan for all eligible employees. Contributions to the plan for the years ended June 30, 2023 and 2022 amounted to \$16,480 and \$11,300, respectively.

13. Commitments

The Club has committed \$25,000 to the River Revitalization Foundation. As of June 30, 2023, \$20,000 of this commitment had been paid and \$5,000 was outstanding.

The Club has committed \$50,000 to the Marcus Center. As of June 30, 2023, \$40,000 of this commitment had been paid and \$10,000 was outstanding.

The Club has committed \$10,000 to the War Memorial Center. As of June 30, 2023, \$10,000 of this commitment had been paid and \$0 was outstanding.

ROTARY CLUB OF MILWAUKEE AND AFFILIATES

Milwaukee, Wisconsin

Notes to Combined Financial Statements

June 30, 2023 and 2022

(Continued)

14. Risks and Uncertainties

The Club invests in various investment securities. Investment securities are exposed to various risks of loss such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment balances and the amounts reported in the combined statements of financial position.